

Alberta Gaming and Liquor Commission

2004-2005 ANNUAL REPORT

BALANCING CHOICE
AND RESPONSIBILITY





The Alberta Gaming and Liquor Commission is an organization within the Ministry of Gaming. The ministry includes the:

- Alberta Gaming and Liquor Commission
- Department of Gaming
- Alberta Lottery Fund
- Alberta Gaming Research Council
- Racing Appeal Tribunal

The commission operates under the authority of the Gaming and Liquor Act. Its administrative structure includes a board that reports to the Minister of Gaming and an administrative arm headed by a chief executive officer who reports to the board.

Table of Contents

Year At A Glance	2
Highlights	3
Message from the Chairman	6
Message from the Chief Executive Officer	8
Organizational Chart	10
Who We Are and What We Do	11
Our Purpose and Structure	12
The Rules We Live By	14
The Board	16
The Administration	20
Partners and Stakeholders	30
Consultations	32
Our Business	34
Liquor Operations	39
Alberta's Liquor Industry	40
Highlights	44
Social Responsibility	45
Performance Measures and Results	48
Charitable Gaming	51
Operations	52
Highlights	54
Social Responsibility	55
Performance Measures and Results	56
Provincial Gaming	61
Operations	62
Social Responsibility	65
Performance Measures and Results	66
Financial Statements	69
Auditor's Report	70
Balance Sheet	71
Statement of Operations	72
Statement of Cash Flows	73
Notes to the Financial Statements	74

2004-2005 Year at a Glance

Liquor	2004-2005	2003-2004
Liquor Licences by Class		
Class A (open to the public)	5,201	5,189
Class B (facilities where people pay an entrance fee or buy a ticket)	498	508
Class C (private clubs)	779	774
Class D (retail outlets that sell liquor for off-premises consumption)	1,713	1,665
Class E (liquor manufacturers)	17	15
	8,208	8,151
Liquor Retail Outlets (totals included in Class D above)		
Private retail liquor stores	994	950
General merchandise liquor stores	92	89
	1,086	1,039
Liquor Products Available	12,537	11,688
Liquor Sales by Volume (in hectolitres)		
Spirits	208,709	200,207
Wine	235,062	218,580
Coolers and cider	134,966	143,810
Beer	2,363,630	2,310,238
	2,942,367	2,872,835
Liquor Gross Profit (\$ millions)	\$ 570	\$ 559

Gaming	2004-2005	2003-2004
Gaming Venues		
Bingo association halls	52	53
Charitable casino facilities	16	16
Racing entertainment centres	3	3
Ticket lottery centres	2,173	2,100
VLT retailers and video gaming entertainment rooms	1,110	1,139
Charitable Gaming Licences Issued		
Bingo	1,371	1,281
Casino	2,893	2,962
Pull ticket	314	262
Raffle	294	320
	4,872	4,825
Charitable Gaming Proceeds to Charities (\$ millions)		
Bingo	\$ 41	\$ 44
Casino	\$ 147	\$ 133
Pull ticket	\$ 8	\$ 10
Raffle	\$ 42	\$ 39
	\$ 238	\$ 226
Provincial Gaming Proceeds to the Alberta Lottery Fund (\$ millions)		
VLTs	\$ 635	\$ 577
Slot machines	\$ 549	\$ 479
Electronic bingo	\$ 5	\$ 3
Lottery tickets	\$ 183	\$ 172
	\$ 1,372	\$ 1,231
Transfers to the Alberta Lottery Fund (\$ millions)	\$ 1,260	\$ 1,125

Highlights

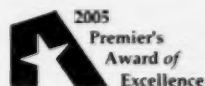
Liquor Operations

- Regulation amendments facilitated the launch of a new, cottage-based, fruit wine industry, which is expected to create new jobs and further enhance Alberta's economy.
- 276 licensed establishments now participate in Alberta's Bring Your Own Wine (BYOW) program, which lets patrons bring their own special wine to a favourite restaurant.
- More than 83% of the liquor establishments visited followed the rules and asked people who appeared to be less than 25 years of age for proof of age. This is a dramatic improvement from 2002, when the compliance rate was only 23%, due in large part to the launch of the award-winning Under 25 initiative.
- The Alberta Server Intervention Program (ASIP) launched this year provides mandatory training for liquor industry staff. The program reflects Alberta's commitment to being a leader with regard to the responsible sale and service of liquor.
- The new #TAXI program—a joint effort by the Alberta Gaming and Liquor Commission (AGLC), the Canadian Association of Liquor Jurisdictions and Mothers Against Drunk Driving—makes it easier for patrons to call for a ride home.
- About 90% of the empty cans and bottles from liquor sold in Alberta are returned for recycling each year. That's good news for our environment.

This Year's Stars

The AGLC's Under 25 initiative to keep minors from purchasing alcohol received a gold Premier's Award of Excellence.

The Charitable Gaming Information Program (GAIN), which gives charities the information they need to succeed in their gaming efforts, received a bronze Premier's Award of Excellence.



Alberta's Gaming Model

Sharing the Benefits

Without the Alberta Lottery Fund, many worthwhile projects would never make it past the idea stage. Being able to support these important projects through gaming revenue enhances our quality of life.

—Gordon Graydon,
Minister of Gaming

No Minors Allowed
It is unlawful for anyone under 18 to participate in gaming in Alberta.

The province's gaming model is a made-in-Alberta mix of government control and individual responsibility, volunteer power and private enterprise, interprovincial cooperation and community values. It's a partnership approach.

Proceeds from both charitable and provincial electronic gaming activities flow back to Alberta communities—either directly through charitable or religious organizations who are licensed to conduct charitable gaming activities or through the Alberta Lottery Fund.

The AGLC collects gaming proceeds on behalf of the people of the province. In 2004–2005, over \$1.2 billion was deposited into the **Alberta Lottery Fund** and used to support Alberta's communities by assisting volunteer groups, public works and funding a host of projects to improve the health, well-being and quality of life of the people of the province. For a complete listing of where the money goes, please visit the Alberta Lottery Fund website at albertalotteryfund.ca

It's the law.

Canada's Criminal Code—which dates to 1892—stipulates that all gaming and betting is illegal, with limited exceptions:

It is lawful for "the government of a province...to conduct and manage a lottery scheme in that province."*

It is lawful for a charitable or religious organization, the board of a fair or an exhibition, or any person—*pursuant to a licence issued by the province*—to conduct and manage gaming activities that are not expressly forbidden by the Criminal Code. (Three-card monte, punch boards, coin tables and wheels of fortune are not allowed.)

It is lawful for provinces to operate mechanical gaming devices such as slot machines.

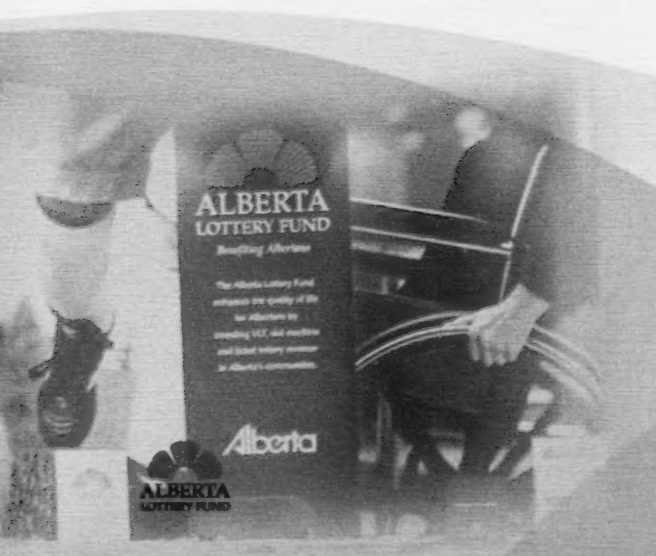
The long and the short of it is this: the Government of Canada establishes the law with regard to gaming in Canada, and delegates authority to the provinces. As a result, gaming in Alberta is regulated by the provincial government. The AGLC is the Alberta government's agent with regard to charitable and provincial gaming activities.

* Criminal Code Section 207 (1)(a).

Sharing the Benefits

The Alberta Lottery Fund touches the lives of Albertans young and old. No matter where you live in Alberta, whenever you visit a library or museum, take in a cultural or athletic event, or take part in a conservation project, lottery dollars are often at work behind the scenes. The fund also supports agricultural and trade fairs and exhibits, historical resources, seniors' groups, tourism and the arts.

In 2004–2005, the Alberta Lottery Fund invested over \$1.2 billion in the province's communities.



Highlights

Charitable Gaming

- Nearly 5,000 participants from more than 2,770 charitable groups in 101 Alberta communities attended 178 Charitable Gaming Information Program (GAIN) sessions. The GAIN program was recognized with a bronze Premier's Award of Excellence this year.
- The first private bingo facility to operate under Alberta's charitable gaming model was approved this year, and will soon open its doors in Grande Prairie.
- All casinos in the province are now equipped with a computer-based CasinoTrack system that automates the collection of table game data and improves the efficiency of the casino gaming reporting system for charities.

Provincial Gaming

- Albertans' favourite lottery ticket—Lotto 6/49—was relaunched as a \$2 ticket with bigger jackpots and more chances to win.
- "Mystery" progressive slot machines were introduced at four Alberta casinos.

Responsible Gaming

- Nearly 3,000 participants have signed on for the Voluntary Self-Exclusion Program, which allows Albertans to voluntarily exclude themselves from casinos and racing entertainment centres for a period of their choosing.
- 1,300 casino and Racing Entertainment Centre workers attended the Deal Us In training sessions on responsible gaming.
- More than 4,000 gaming industry staff participated in the responsible gaming program, which provides information about how to recognize individuals at risk, how to help people deal with gambling problems, and where to go for help.

Message from the Chairman



A strong economy and a healthy society are supported by good governance. In the liquor and gaming sector, providing good governance is the key role of the board of the Alberta Gaming and Liquor Commission (AGLC).

Good governance means playing a leadership role. It means providing effective regulatory regimes and standards, and sound policy to protect the public good and safeguard the integrity of Alberta's liquor and gaming industries. It means engaging individuals, businesses, organizations and communities.

Developing good policy is one of the responsibilities of the AGLC board. Good policy promotes the careful management and growth of the liquor and gaming sector. At the same time, it ensures that social costs—such as the impact on communities and infrastructure—do not outweigh the economic benefits that the industry provides for Albertans. To maintain the right balance, applicants for casino facilities and bingo halls go through an eight-step process that ensures their proposals have the support of the community.

Good governance and good policy are not static concepts: they evolve to meet the changing needs of communities and challenges of new and enhanced operating models and structures. That's why, this year, the board approved the first private bingo hall to operate under the province's charitable gaming model. It also approved five proposals for new casinos. Two of these approvals authorize the first-ever casinos on First Nations' reserves.

The board ensures that all participants in the liquor and gaming industries uphold the law and play by the rules. It mandates comprehensive due diligence, licensing, inspections and monitoring to keep the industry honest, reputable and safe. As part of this role, the board enforces penalties and sanctions to uphold the rules of fair play. The board held 73 hearings in 2004–2005 the results of which are posted on the AGLC website at www.aglc.gov.ab.ca.

On the recommendation of the board, the Alberta Gaming and Liquor Regulation was amended to allow the establishment of a cottage-based fruit wine industry. The new industry is expected to stimulate rural diversification.

The AGLC and its board work on behalf of Albertans. This year marks the retirement of board member Ed Gaudet after 18 years of service to the people of province. On behalf of the board, I'm pleased to acknowledge Ed's contribution and dedicated service over the years.

In closing, I'm proud of the AGLC's achievements and I look forward to working with my fellow board members to continue to build solid, socially responsible gaming and liquor industries that benefit the people of the province.

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Julian Nowicki
Chairman of the Board
Alberta Gaming and Liquor Commission

Message from the Chief Executive Officer



Social responsibility and integrity guide the operations of the Alberta Gaming and Liquor Commission (AGLC).

Hand in hand with our partners and stakeholders, our staff work diligently to build and protect our province's liquor and gaming industries. We work hard to give Albertans a superior choice of quality liquor products at competitive prices, and to provide gaming entertainment options that offer excitement and variety in a socially responsible manner.

Alberta's liquor and gaming industries create employment and make an important contribution to the economy. This year alone, gaming proceeds deposited to the Alberta Lottery Fund provided over \$1.2 billion for projects and programs that give Albertans a better quality of life. In addition, over \$238 million more gaming dollars supported the programs and initiatives of volunteer groups who use proceeds earned directly through charitable gaming within their communities. More than half a billion dollars from provincial liquor operations and licensing and registration fees was deposited in the provincial General Revenue Fund on behalf of the people of Alberta.

Sound policy, effective regulation and good management support the healthy liquor and gaming industries that generate these benefits for Albertans.

At the AGLC, we set our sights high and embrace a philosophy of continuous improvement. Our staff are always looking for ways to serve our clients better and we're very proud of the high ratings of client satisfaction that have been achieved, including 95% for liquor industry clients, 96% for charitable gaming licensees, and 97% for provincial gaming retailers and operators.

Good management means ongoing monitoring and responsiveness to client needs. The Regulatory Division's new gaming eligibility unit was formed this year to guide charitable organizations through the gaming licensing process.

Good management is also supported by state-of-the-art technology and equipment. The CasinoTrack technology now in place in all Alberta casinos increases accuracy and simplifies reporting requirements for charities.

The AGLC keeps up with the latest research to support responsible liquor and gaming-related policy and practice. It studies the marketplace and provides new products to give Albertans more gaming entertainment options. In the liquor sector, with more than 12,500 different liquor products available on store shelves, there is sure to be something to suit every taste. In the gaming area, a revamped Lotto 6/49 was introduced this year. The new two-dollar 6/49 gives players more chances to win and bigger jackpot prizes. Casino slot machines offer more than 500 different game themes. And the new progressive slot machines—"Mystery"—give players a chance to win jackpots generated from 12 electronically linked machines.

To support Albertans' right to make their own entertainment choices, the AGLC works hard to promote responsible drinking and gaming. Education and awareness campaigns such as the Under 25 initiative (awarded a "gold" Premier's Award of Excellence this year) helps prevent liquor sales to minors. Programs like #TAXI—launched this year—assist in preventing drinking and driving. New VLT features help players keep tabs on their gaming behaviour, and the Voluntary Self-Exclusion Program reinforces people's responsible choices.

The AGLC understands that people need the right tools to do the right thing. That's why training and education are an important part of our corporate business. Nearly 5,000 participants from 2,770 charitable organizations attended gaming information sessions provided through the GAIN program, which received a bronze Premier's Award of Excellence this year. In addition, over 4,000 gaming workers completed the AGLC's compulsory responsible gaming training programs.

The AGLC is pleased to support the Alberta Server Intervention Program (ASIP), launched last November to train servers about the responsible sale and service of alcohol—and ultimately, to prevent over-consumption and impaired driving.

As I look back on the accomplishments of the past year, I am particularly proud of the AGLC's continuing excellent record of client and public satisfaction. In addition to receiving high ratings from our gaming and liquor industry clients, our survey results also show that the majority of Albertans are satisfied with the conduct of the gaming and liquor industries.

Our success on all fronts is directly attributable to a dedicated, hard-working staff, whose efforts this year were recognized with two Premier's Awards of Excellence. It is this continued staff dedication and commitment that will ensure Albertan satisfaction rates remain high and that the AGLC continues to be progressive and successful in tackling new challenges.

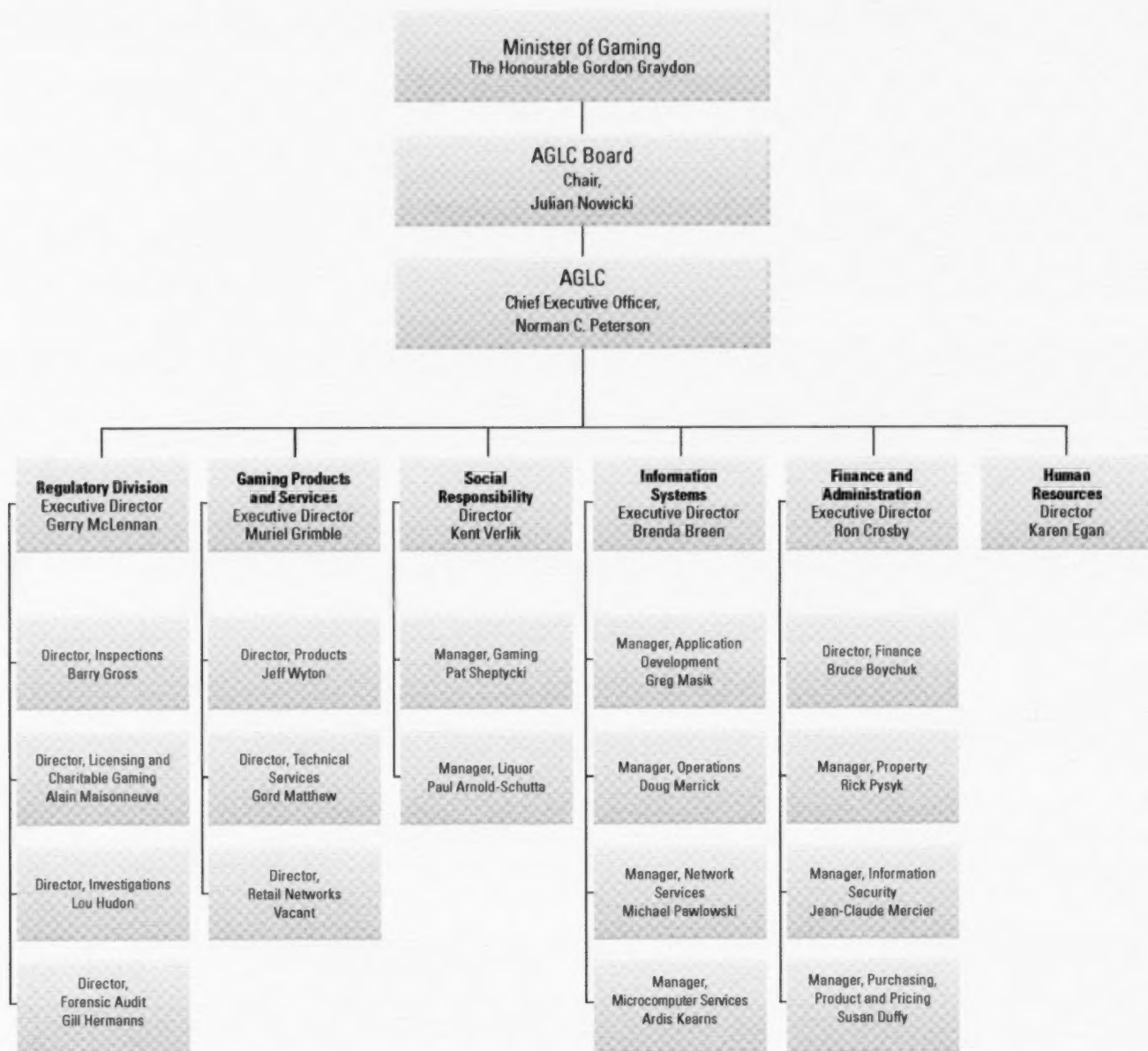
We look forward to new challenges and new accomplishments in the coming year.

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Norman C. Peterson
Chief Executive Officer
Alberta Gaming and Liquor Commission

Organization Chart

Alberta Gaming and Liquor Commission (AGLC)



Who We Are and What We Do



Our Purpose and Structure

The Alberta Gaming and Liquor Commission is an organization within the Ministry of Gaming. The ministry includes the:

- Alberta Gaming and Liquor Commission (AGLC)
- Department of Gaming
- Alberta Lottery Fund
- Alberta Gaming Research Council
- Racing Appeal Tribunal

The Ministry of Gaming publishes a separate annual report including an overview of each component, their activities, and audited financial statements as well as the Ministry's performance measure results. Copies are available online at gaming.gov.ab.ca or by contacting the Ministry's Communications' office (see the inside back cover of this annual report for contact information).

The AGLC operates under the authority of the Gaming and Liquor Act. Its structure includes

- a seven-member **board** that is appointed by the government and reports, through the chairman, to the Minister of Gaming
 - The board develops policy, conducts hearings, and makes licensing and registration decisions to ensure that Alberta's liquor and gaming industries are well regulated and well managed to benefit the people of the province. It also ensures the powers and duties of the commission are appropriately carried out through the chief executive officer.
- an **administrative arm** with six divisions that manages the day-to-day operations of the organization
 - The chief executive officer of the AGLC's administration reports to the board and also fills the role of deputy minister of the Department of Gaming. This structure creates clear lines of communication and fosters ministry-wide sharing of resources and ideas. It ensures that policy implementation is consistent and that operations run seamlessly and efficiently.

The AGLC's role—through its board and operating arm—is to administer the Gaming and Liquor Act, Regulation and related policy. The AGLC is responsible for licensing and regulating Alberta's **liquor industry** and **charitable gaming** activities and conducting and managing **provincial gaming** activities.

The AGLC manages and controls the growth of Alberta's gaming and liquor industries responsibly and with integrity. This means that industry players compete on a level playing field where the rules are fair, clear and consistently applied. It means that sound policy and effective regulation work hand in hand with monitoring and enforcement. It means a commitment to working in partnership with charities and private businesses to deliver high quality services to the public. And it means a commitment to excellence, openness and accountability.

Through all its activities, the AGLC generates revenue for the province and the people of Alberta. It contributes to the growth of Alberta's economy, the prosperity of its communities, and the health, well-being and quality of life of its citizens.

But it isn't all about making money. While the AGLC works hard to maximize the long-term economic benefits of liquor and gaming, it takes its social responsibilities even more seriously. The AGLC sponsors education and awareness programs—both for the public and for industry staff. It supports research about gambling and addictions. It's a partner in the province's container recycling program. And perhaps most important—it ensures that its operations, policies and programs reflect the values of Albertans.

The AGLC respects Albertans' right to make choices and take responsibility for their own affairs. It provides Albertans with a wide range of gaming entertainment options as well as information to help people make informed decisions. It provides gaming and liquor products in secure, licensed venues. It works hard to protect minors, and it respects the rights of communities to make decisions that reflect local interests.

In all its decisions, the AGLC weighs the need for social responsibility against Albertans' right to personal choice and against the economic benefits generated by liquor and gaming.

It's a fine balance. With almost 80% of Albertans surveyed expressing satisfaction with the conduct of the liquor business and almost 75% expressing satisfaction with the conduct of legal gaming, it appears the AGLC has the fulcrum in the right spot.

The province's share of gaming revenue—over \$1.2 billion dollars a year—flows into the Alberta Lottery Fund, where it is used to support thousands of public and community-based programs.

The provincial mark-up on liquor sales—more than \$550 million a year—flows directly into the province's General Revenue Fund.



The Rules We Live By

Our Vision

As an agent of the Government of Alberta, the Alberta Gaming and Liquor Commission (AGLC) works to achieve the vision of the Ministry of Gaming:

A province that strives to balance choice and responsibility in its gaming and liquor industries, uses revenues derived from these activities for the benefit of Albertans, and provides opportunity for competition and enhanced service in its gaming and liquor industries.

Our Mission

Our mission is "to ensure that gaming and liquor activities in Alberta are conducted with integrity and social responsibility and to maximize long-term economic benefits for Albertans."

Our Guiding Principles

The principles that govern the operations of the AGLC reflect the values of the people of Alberta. Regular reviews ensure that policy and practice continue to meet this standard.

- The integrity of gaming and liquor activities will be ensured.
- Gaming and liquor policies will reflect a commitment to social responsibility.
- Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
- The collection and use of gaming and liquor revenue will be open and accountable.
- Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in Alberta.
- Alberta's liquor industry will continue to be among the most progressive and competitive in the country and continue to lead the nation in terms of supply, distribution, pricing and customer service.
- The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

Our Values

The AGLC will:

- act with integrity and in a fair and impartial manner
- strive to balance social and economic responsibilities to the people of Alberta
- foster clear, open, courteous communications and consultations with stakeholders
- achieve excellence in customer service
- nurture a working environment that is characterized by teamwork, cooperation and open communication
- be an innovative and adaptable organization that focuses on continuous improvement in the quality, effectiveness and efficiency of our products, services and business processes
- be responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta



The Board

Roles and Responsibilities

The responsibilities of the board are set out in Section 12 of the Gaming and Liquor Act.

The Alberta Gaming and Liquor Commission (AGLC) board:

- ensures the powers and duties of the AGLC are appropriately carried out
- establishes policies that govern gaming and liquor operations in Alberta
- conducts hearings on liquor and gaming matters including those involving non-compliance with legislation or policy, and imposes appropriate penalties and sanctions
- makes decisions regarding gaming and liquor licences and registrations

In 2004-2005, the board:

- recommended policy to allow the establishment of a cottage wine industry in the province
- approved proposals for five new casinos – one each for:
 - Edmonton
 - Calgary
 - Camrose
 - the Enoch Cree Nation (west of Edmonton)
 - the Alexis First Nation (near Whitecourt)
- approved expansions for the Boomtown Casino in Fort McMurray and the Elbow River Casino in Calgary.
- approved the province's first privately operated bingo facility, which is scheduled to open in Grande Prairie in December 2005.
- held 73 hearings, 48 liquor-related and 25 gaming-related.

Members of the Board



Julian Nowicki, Chairman

Julian Nowicki was appointed chairman of the AGLC board on December 1, 2004. This is Julian's second posting with the commission. In 1999, he served as chairman and CEO and also as deputy minister of the Department of Gaming.

Julian holds a Master of Arts in Geography from the University of Alberta. His 38-year-long career with the Government of Alberta began with Alberta Lands and Forests in 1966 and included positions with the Office of the Solicitor General and with the ministries of Environment; Culture, Youth and Recreation; Recreation and Parks; Community Development; and Gaming. Julian has been a deputy minister with the Government of Alberta since 1988 and his most recent position as deputy minister was with the Executive Council of Alberta from 1999 to 2004.



Alexander (Sandy) Dougall

Sandy Dougall was appointed to the board of the AGLC in November 2002 and has served as chair of the board's audit committee since 2003.

Born and educated in Scotland, where he launched his banking career, Sandy has held a variety of senior management positions in retail and business banking. He now divides his time between working as a consultant and volunteering with community and non-profit organizations.

Sandy is a member of the Chinook Rotary Club. He has served on the Calgary Health Region board of directors since 1998.



Alexander (Al) Evans

Al Evans was appointed to the board of the AGLC in November 2002. He has served on the board's audit committee (since January 2003), the Western Canada Lottery Corporation (since June 2004) and the Inter-provincial Lottery Corporation (since October 2004). He is also the co-chair of the Student Financial Assistance Appeal Committee.

Al has a background in management accounting and has completed various courses in project management, corporate management and public supervision. He holds a certificate in automotive technology from the Southern Alberta Institute of Technology and is a Dale Carnegie graduate.

Before his retirement, Al spent 34 years in the petroleum industry, including 14 as team leader and senior financial coordinator for a major oil company.



Lynn M. Faulder

Lynn Faulder was appointed to the board of the AGLC on November 5, 2003. She has served on the board's audit committee since December 2003.

Lynn chairs the Edmonton Appeal Panel for the Assured Income for the Severely Handicapped, Widows' Pension and Aids to Daily Living programs. She is a member of the roster of public members appointed to hear appeals and conduct hearings and tribunals under the Health Professionals Act and the Dependent Adults Act.

Lynn holds a nursing diploma and has worked as a surgical staff nurse. She is a former director of the Royal Alexandra Hospital Foundation and has held executive positions with the Edmonton Federation of Community Leagues.



Edward (Ed) Gaudet

March 31, 2005, marked Ed Gaudet's retirement from liquor and gaming-related public service after an 18-year career. Between 1986 and 1995, Ed held positions as a commissioner and a member of the audit committee of the former Alberta Gaming Commission. He was appointed to the board of the AGLC in July 1995 and to the commission's audit committee in August 1999.

Ed is a University of Alberta graduate who worked as a pharmacist and pharmaceutical sales representative for close to 30 years. Since 1975, he has owned and operated a grain farm near Daysland.

Ed has an impressive record of community service. He is a member of the Lions Club and has served as chairman of the parents' council of Camrose Composite High School, president and director of the Alberta Canola Producers Commission and president of the Daysland General Hospital Board. He has volunteered with or served on committees of the Alberta Hospital Association, the Daysland General Hospital and the Hardisty General Hospital.



George Russill

George Russill was appointed to the board of the AGLC in November 2002.

George operates a cattle ranch in Cypress Hills, a community in the south-eastern corner of the province. He is a captain with the Elkwater Volunteer Fire Department, and since 1989, has served as a municipal councillor for Cypress County.

George is active in community affairs and has served on various boards and committees. He recently completed a four-year term as a member of the Provincial Court Nominating Committee.



Patricia (Patty) Whiting

Patty Whiting was appointed to the board of the AGLC in June 2001. She served on the board of the Western Canada Lottery Corporation from January 2003 to June 2004.

Patty is the president of Whiting Enterprises, a property development and investment company. She chairs the Minister's Advisory Council on Occupational Health and Safety and is a member of the board of the Kids' Kottage Foundation.

Patty's work experience includes positions with the Workers' Compensation Board and Alberta Public Safety Services. She has served as executive assistant to the Minister of Occupational Health and Safety and as vice-president of international business development at Amtech Chemicals Ltd.

The Administration

The administrative arm of the Alberta Gaming and Liquor Commission (AGLC) includes 644 employees located in St. Albert (the head office), Calgary, Grande Prairie, Lethbridge, Red Deer and Stettler. It has six divisions:

- Regulatory
- Gaming Products and Services
- Social Responsibility
- Information Systems
- Finance and Administration
- Human Resources

The AGLC also receives services and shares resources with the Department of Gaming's Communications, Strategic Services and Lottery Funded Programs branches.

Chief Executive Officer

The chief executive officer (CEO) is responsible for the overall operations of the AGLC, as set out in Section 18(2) of the Gaming and Liquor Act. Since 1999, when the Department of Gaming was created, the commission's CEO has also served as deputy minister of the Department of Gaming.

About the CEO...



Norman C. Peterson has served as CEO of the AGLC and deputy minister of the Department of Gaming since 2001. Prior to his appointment as CEO, Norm served as the commission's chief financial officer.

Norm joined the Alberta Liquor Control Board (ALCB) in 1992 and was part of the senior executive team responsible for privatizing Alberta's liquor industry. In 1995, he played a key role in the organizational mergers that created the AGLC.

Norm is a chartered accountant who holds a Bachelor of Commerce degree from the University of Calgary. Before joining the ALCB, he was a senior financial vice-president with a major agricultural sector manufacturing business. He has also held senior-level positions with a Calgary-based consulting firm.

Regulatory Division

The work of this division ensures that gaming and liquor operations in the province comply with legislation and policy. Each of the division's four branches performs a specific regulatory function, but no matter what their role, division staff share the same modus operandi. Their MO is simply this—"to license, to monitor and to assist."

The **Licensing and Charitable Gaming Branch** is directly involved in every detail of the licensing, registration and reporting processes for Alberta's liquor and gaming operations. It registers liquor suppliers, gaming workers and gaming equipment suppliers. It issues licences for the sale of liquor, for charitable gaming activities and for gaming facilities such as casinos and bingo halls. Through its **new eligibility unit** (established in January 2004), it provides information, counsels charitable organizations about their licence eligibility and helps applicants make their way through the licensing process. The Branch also ensures that charitable groups receive the gaming proceeds they are entitled to, and that they spend the proceeds in an approved manner.

The licensing and registration requirements of the Gaming and Liquor Act protect the public by ensuring compliance with federal, provincial and municipal legislation.

Individuals, non-profit groups or companies must be licensed by the Alberta Gaming and Liquor Commission (AGLC) to:

- own or operate gaming facilities such as casinos, bingo halls, racing entertainment centres or other temporary or permanent venues where gaming is permitted
- conduct or manage gaming events such as bingos, casino table games, raffles or pull ticket sales
- manufacture, sell, store or serve liquor

Individuals and companies must be registered with the AGLC to:

- be "gaming workers" (as defined in the Gaming and Liquor Act) who are paid for their work in the gaming industry
- make, sell, advertise or distribute gaming equipment and supplies
- import liquor

Staff in the **Inspections Branch** conduct regular, on-site inspections to ensure that liquor licensees and gaming operations across the province comply with legislation and policy. Bingo and casino operations are inspected by staff with specialized training in the complexities of these types of gaming. If violations are observed, staff complete an incident report that documents their findings and provides the basis for disciplinary action.

Playing by the Rules

The incident reports filed about non-compliant liquor establishments typically concern the following areas:

- failing to request proof of age from patrons who appear to be under 25
- selling liquor to minors or allowing minors in age-restricted facilities
- serving liquor to intoxicated persons
- serving liquor after hours
- failing to maintain an appropriate liquor supplier–licensee business relationship
- selling illegal liquor

For non-compliant gaming operations, most infractions relate to

- the use of gaming proceeds for inappropriate purposes
- raffles or pull ticket sales conducted in contravention of licence terms

The **Forensic Audit Branch** provides careful, ongoing monitoring to maintain the financial integrity of Alberta's gaming industry. Ongoing monitoring through audits ensures that gaming proceeds are used for commission-approved purposes and that gaming operations and record-keeping processes comply with the requirements of legislation and policy. The ultimate goals are to prevent fraud, protect the interests of the gaming industry and its patrons, ensure that Albertans receive the full extent of their gaming proceeds entitlement and keep the criminal element out of the province's gaming industry. The branch's new **due diligence unit**, established in July 2004, investigates financial records as part of the background checks conducted on new and existing gaming facility applicants, suppliers of gaming equipment and gaming workers, including casino advisors and raffle ticket managers.

Forensic Auditing

In 2004-05, the Forensic Audit Branch worked on 286 files, including 111 carried over from the previous year. Work was completed on 206 files:

- \$1.27 million of charitable gaming dollars were recovered to licensees' gaming accounts
- Eleven audit files were referred to the Investigations Branch for criminal investigation.

The **Investigations Branch** works with police services and with other government ministries to investigate Criminal Code offences related to gaming in the province. The branch's Gaming Investigation Team (GIT) takes a cross-jurisdictional approach to deterring crime in the gaming industry. The team includes staff seconded from Alberta Justice and major Alberta police services. It deals with theft, fraud, cheating at play, afterhours poker clubs, illegal gaming machines, money laundering, loan sharking, bookmaking and other crimes that affect both licensed and unlicensed gaming activities. The branch also investigates liquor and tobacco-related offences.

Investigations

In 2004-05, the Investigations Branch handled 377 criminal investigations into matters of gaming-related theft, fraud, forgery and cheating at play. As a result, 41 individuals were charged under Canada's Criminal Code.

The GIT conducted 82 criminal investigations, four of which are ongoing. Two individuals were charged under the Criminal Code.

Liquor, Gaming and More

A memorandum of understanding with Alberta Finance gives the AGLC authority to investigate fraudulent claims under the Tobacco Tax Act and Fuel Tax Act, which are administered by the Finance ministry.

The branch's tobacco investigation units conducted 275 tobacco smuggling- and tobacco diversion-related investigations: 52 charges were laid under the Tobacco Tax Act. The tobacco units visited 2,254 premises where tobacco products were sold. Eleven retailers were found to be in violation of provincial tobacco legislation. Five were charged and convicted for possession of unlawful products.

Gaming Products and Services

Hotline Help

Hotline operators are trained to troubleshoot equipment problems, handle inquiries about gaming supplies and provide general gaming information.

They are available from 8:30 to 3:30 AM, seven days a week.

Under Canada's Criminal Code, only provincial governments can conduct provincial lotteries and electronic gaming. The Gaming Products and Services Division manages the province's gaming retail networks and the gaming product mix. It is also responsible for procuring, managing and maintaining thoroughly tested, properly functioning, state-of-the-art equipment for Alberta's gaming industry.

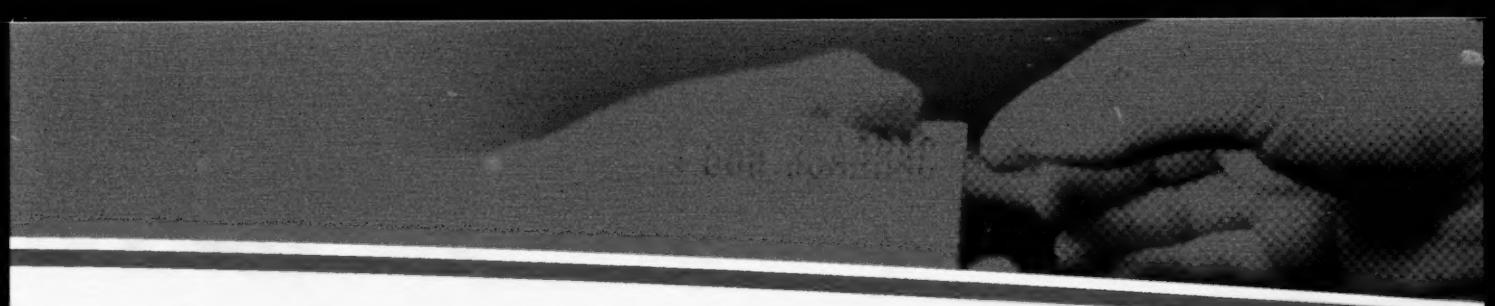
The AGLC owns or leases all the equipment used in the province's gaming venues—including slot machines, video lottery terminals, ticket lottery terminals and electronic bingo units. This equipment is housed by authorized **"retailers"** who are paid a commission for their services. Retailers' obligations are outlined in **retailer agreements** between the AGLC and the retailer.

Responsibility for procuring and maintaining gaming equipment—and managing the retail network within which it operates—rests with the Gaming Products and Services Division.

The division provides the posters, product information and signage retailers need for their operations. It tests all gaming equipment before it is sent into the field. It manages installations and provides product and equipment-related training to gaming industry staff. It provides on-site technical support to ensure the province's electronic gaming equipment is kept in good repair. It operates the commission's **hotline**: this is a Stettler-based call centre where gaming retailers can phone for information or get help if they have trouble with their equipment.

New product development, analysis and testing are other functions of the Gaming Products and Services Division. Staff keep an eye on the marketplace - regularly changing the mix of games and introducing new games in response to player demand.





Social Responsibility

The AGLC ensures that the delivery of gaming and liquor products and services is consistent with public expectations and provides benefits for Albertans. Programs and projects related to responsible gaming and the responsible use of alcohol are an important part of the AGLC's operations. The Social Responsibility Division was formed in 2003–2004 to help the AGLC coordinate its efforts in this regard.

The Social Responsibility Division develops and manages programs and projects that support responsible gaming and the responsible use of alcohol. It coordinates the AGLC's social responsibility initiatives—both within the organization and with outside partners. Through a focused, coordinated policy approach, it ensures that the social responsibility requirements set out in legislation and policy are met by the commission's staff, by retailers and licensees, and by the public.

The division works with colleagues across the commission to continue to build social responsibility into all operations. It partners with industry stakeholders and with agencies like AADAC (the Alberta Alcohol and Drug Abuse Commission) to create and deliver programs that foster responsible gaming, promote consumer protection, provide education and increase public awareness. It helps develop prevention programs for alcohol abuse and problem gambling. And it reviews and provides feedback on research and prevalence studies such as *The Alberta Youth Experience Survey* (TAYES) sponsored by AADAC.

The division works with post-secondary institutions and other stakeholders to identify gaming research priorities. It conducts research on topics that range from liquor policy developments in other jurisdictions to Fetal Alcohol Spectrum Disorder, the effectiveness of warning labels on liquor containers, violence in bars, binge drinking, youth drinking and more. Its work provides valuable background for the development of social responsibility initiatives across the province.

The division also ensures that the AGLC's own staff understand the signs and consequences of gambling addiction and are aware of what the commission and its partners do to promote responsible gaming and prevent problem gambling. **In 2004–2005, 200 inspectors, technicians, account representatives, hotline staff and administrative staff attended awareness training sessions developed by AADAC and the AGLC.** The goal is for all commission staff to complete this training in the coming year.

It's more than lip service...

Information and Education

Information and education are two components of good customer service—and two hallmarks of the AGLC's commitment to social responsibility.

The commission makes every effort to ensure its stakeholders know and understand the regulatory requirements related to gaming and liquor activities. It offers free training. It produces handbooks, posters and brochures to keep its clients and the public well informed. It makes sure that charities and service providers—and liquor agencies, suppliers and retailers—have access to up-to-date policy manuals to help them play by the rules.

Responsible Liquor Consumption

Drinking and driving can be a deadly combination. The AGLC works in partnership with agencies such as AADAC and Mothers Against Drunk Driving to help drinkers make responsible choices. It promotes the responsible sale and service of alcohol through training programs and partnerships with the Alberta Server Intervention Program Society and other agencies. And its Under 25 policy helps keep minors out of bars and from purchasing liquor.

Promoting Responsible Gambling

Gaming is an enjoyable pastime for the majority of adult Albertans. Studies show that 82% participate in gaming activities—most commonly, by buying raffle, lottery or scratch-and-win tickets.

For most Albertans, gaming is a form of entertainment. For some, however, gaming has the potential to cause serious problems that affect their health, their jobs and their families. The AGLC works in partnership with AADAC to promote responsible gambling and increase awareness of problem gambling treatment programs for those who need them.

The AGLC works hard to inform the public about what responsible gambling means and where people with gambling problems can go for help. Here are some examples:

- In 2004-2005, the commission distributed more than 250,000 pamphlets that provide information and dispel myths about gambling. The pamphlets help players evaluate their gambling behaviour and provide information about where to get help.
- The commission distributes posters advertising AADAC's toll-free problem gambling Help Line number to all licensed gaming venues. It ensures that the number is prominently displayed on gaming publications and equipment.

Information Systems

Cutting edge information and communications technology underlies all the operations of the AGLC. It's the competitive advantage that lets the commission do its work faster, better and more effectively.

The four branches of the Information Systems Division provide the technology that supports the commission's liquor and gaming operations and its corporate business.

The **Application Development and Support Branch** develops and maintains specialized computer applications that keep the commission's day-to-day business on track. For example, stages in the approval of gaming and liquor licences and registrations are monitored and tracked in computerized management systems. Liquor imports are tracked in a specialized customs and excise system. Still another computer system collects daily inventory and sales information from the province's liquor warehouses. Since all these data collection processes are computerized, commission staff have ready access to up-to-date business information and reports.

The **Operations Branch** almost never sleeps: its data centre in St. Albert runs 24 hours a day, seven days a week, for 364 days a year. (That's every day but Christmas.) The data centre is the heartbeat of the commission's operations. It monitors and provides disaster recovery services for the specialized electronic gaming systems that track the minute-by-minute operations of video lottery terminals, slot machines and electronic bingo devices.

The **Network Services Branch** manages a "wide area" telecommunications network that securely connects the commission's data centre with more than 1,200 gaming facilities across Alberta. The branch provides hardware, software and telecommunications services for the commission's hotline for gaming retailers.

The **Microcomputer Services Branch** manages a secure "local area" network of more than 650 desktop computers, 200 laptops and 70 servers distributed across the commission's six corporate offices.

GIN: It's not just a drink.

The Operations Branch provides website support services for the commission's **Gaming Information Network**, which provides security staff at casinos and other gaming facilities with crime prevention tips, access to the Voluntary Self-Exclusion Program database and security bulletins about individuals suspected or convicted of gaming-related crimes.

The branch also maintains the websites of the AGLC, the Department of Gaming and the Alberta Lottery Fund.

Finance and Administration

Maybe money doesn't make the world go around. But even skeptics would agree that sound financial management and effective business practice provide the foundation for successful organizations.

The Finance and Administration Division "manages the money." It ensures the province collects its due share of liquor and gaming proceeds, and administers the flow of funds from the AGLC's safekeeping to the provincial General Revenue Fund and the Alberta Lottery Fund. It analyzes market factors and studies the liquor pricing system to establish the provincial mark-up and the wholesale price for liquor. It provides quality control for liquor warehouse administration.

It also manages the commission's purchasing and contract system, payroll and payment processes, and property management and information security.

Human Resources

The Human Resources Division serves the Department of Gaming as well as the AGLC. It provides recruitment, performance management, succession planning and benefit administration services. It develops employee recognition programs and provides continuous learning opportunities for staff.

The commission's team takes pride in its work. Year after year, knowledgeable, accomplished employees deliver exceptional service to clients and members of the public. Their commitment to excellence is reflected in the high satisfaction ratings they receive from liquor and gaming industry clients.

But it's not just the commission's clients who are happy. In the annual employee survey, 82% of AGLC staff said they were "satisfied in their work" and 81% were enthusiastic about the work they do!

Staff satisfaction doesn't happen by accident. The commission implements solid succession planning and staff retention strategies, and works hard to give its people opportunities for continuous learning and leadership development. It ensures that staff have the knowledge and skills they need to achieve the goals of the AGLC.

Learning for Life

Here are some samples of the personal and professional learning programs attended by commission staff in 2004–2005:

- development programs for managers and senior executives at the University of Alberta School of Business
- industry-specific training on customer service and statement analysis (Statement analysis courses give inspectors and investigators the skills they need to take statements from individuals—an important part of taking care of the commission's business.)
- 16 Healthy Choice Lunch-and-Learn sessions on topics ranging from vitamins to investments and lifestyle makeovers (246 staff members attended.)
- flu immunization and first aid training
- ergonomic work station reviews (because correct furnishings promote correct posture and prevent injury, strain and pain)
- personal fitness programs using the on-site gym at the commission's St. Albert head office

Connecting with the Community

Commission staff take their commitment to customer service beyond the office door and into the communities where they live. In 2004–2005, their volunteer efforts brought Christmas hampers to needy families and helped support the annual United Way campaign and Canadian Blood Services' donor drives.

In the fall of 2004, staff worked with the local school system on the national Take Your Kids to Work day. And for the 14th year in a row, they took part in the Edmonton and Area Corporate Challenge Games, which were launched in 1992 as a way of helping employees embrace an active lifestyle, get to know one another and meet people from other companies. More than 100 commission staff took part as volunteers and participants alongside 20,000 Edmonton-area games participants competing in 20+ events.



Partners and Stakeholders

The Alberta Gaming and Liquor Commission (AGLC) works on behalf of the citizens of the province. In doing so, it works closely with:

- the public at large
- charities that support their good works through proceeds received from casinos, bingos, raffles and pull ticket sales
- operators of gaming facilities
- retailers who provide space and customer services related to electronic gaming equipment
- liquor retailers, suppliers and warehouses
- industry associations
 - Alberta Liquor Industry Roundtable
 - Alberta Hotel and Lodging Association
 - Alberta Liquor Store Association
 - Alberta Restaurant and Foodservices Association
 - Canadian Restaurant and Foodservices Association
 - Alberta Server Intervention Training Program Society
 - Association of Canadian Distillers
 - Beverage Alcohol Importers Advisory Council of Alberta
 - Brewers of Canada
 - Canadian Wine Institute
 - Alberta Fruit Wine Initiative Group
 - Federation of Alberta Bingo Associations
 - Bingo Hall Managers Association of Alberta
 - Registered Casino Advisors Association
 - Horse Racing Alberta

- police services on matters related to liquor, gaming and tobacco tax violations.
- municipalities who grant local permits of licences to businesses that intend to operate liquor or gaming facilities.
- universities and colleges, by providing work placement internships for post-secondary students from a variety of programs.
- Alberta Alcohol and Drug Abuse Commission (AADAC): The AGLC and AADAC have a joint working group and collaborate on programs and initiatives such as the responsible gaming program for VLT retailers and the Deal Us In program for casino operators.

Better Together

The AGLC is a member of the following organizations:

- Association of Licensed Liquor Authorities of Canada
- Association of Liquor Jurisdictions Administrative Officers
- Canadian Association of Gaming Regulatory Agencies
- Canadian Association of Liquor Jurisdictions
- Canadian Partnerships for Responsible Gambling
- Interprovincial Lottery Corporation
- North American Gaming Regulators Association
- Western Canada Lottery Corporation

These organizations share information and work together to address matters of common concern.



Consultations

The Alberta Gaming and Liquor Commission (AGLC) regularly consults and shares information with its partners and stakeholders—and it values the input it receives. Some of the consultations undertaken this year include:

Subject	Stakeholders Consulted	Time Frame
Meetings of the AGLC/AADAC joint working group on gaming	Alberta Alcohol and Drug Abuse Commission (AADAC)	Monthly
Cross-jurisdictional discussions on Canadian gambling issues	Canadian Partnership for Responsible Gambling Interprovincial Lottery Corporation	Quarterly
Cross-jurisdictional discussions on Canadian alcohol issues	Canadian Association of Liquor Jurisdictions	Semi-annual
Ticket lottery business review	Key ticket lottery retailers	Quarterly
Review and discussion of technical and policy issues related to bingo	Technical Review Committee of the Federation of Alberta Bingo Associations	Regular meetings
Introduction of revisions to the bingo program	Federation of Alberta Bingo Associations and its Technical Review Committee	April 2004 March 2005
Review of the cottage wine industry policy	Liquor industry representatives, fruit and berry farmers, manufacturers	April 2004
"Use of Proceeds" policy related to endowment funds	Charitable groups	May 2004
Presentations about the Social Responsibility Division's mission, responsibilities, strategies and objectives	Alberta Gaming Research Council Alberta Liquor Store Association	June 2004 October 2004
Meeting of the DIGI bingo retailer council	DIGI bingo retailers Federation of Alberta Bingo Associations	September 2004 October 2004 February 2005
Annual update about casino operations	Casino operators	October 2004
Sale of Red Bull energy drinks in Alberta liquor stores	Alberta Liquor Store Association	September 2004
Discussions about the Deal Us In program	Casino operators	October 2004

Discussions about responsible gaming awareness training	Bingo Technical Review Committee	November 2004
Discussions about product promotion-related tastings by liquor suppliers	Liquor industry stakeholder associations	November 2004
Evaluation of the Deal Us In program (second-year review)	Casino operators	January– March 2005
ATM (automated teller machine) policy	Alberta Hotel and Lodging Association Alberta Restaurant and Foodservices Association Canadian Restaurant and Foodservices Association	January 2005
Review of raffle terms and conditions	Charitable groups and raffle ticket managers	January 2005
Presentation about problem and responsible gambling strategy and the Social Responsibility Division's strategic plan (at a meeting hosted by the AADAC and AGLC joint working group)	Alberta Hotel and Lodging Association Alberta Restaurant and Foodservices Association Alberta Gaming Research Council Alberta Gaming Research Institute AADAC treatment professionals Casino operators	February 2005
Social Responsibility Presentation to the conference of the Alberta Gaming Research Institute	Researchers, treatment professionals and regulators	March 2005
Social Responsibility Presentation to the Canadian Gaming Summit Conference	Gaming industry stakeholders, including operators, researchers, treatment professionals and government regulatory and social policy bodies	March 2005

Our Business

The Alberta Gaming and Liquor Commission (AGLC) has three core businesses:

1. licensing and regulating liquor activities

- This includes the manufacture, import, sale, purchase, possession, storage, transportation, use and consumption of liquor.

2. licensing and regulating charitable gaming activities

- This includes bingos, casinos, raffles and pull ticket sales conducted by licensed charitable and religious groups.

3. conducting and managing provincial gaming activities

- Provincial gaming includes ticket lotteries, slot machines, video lottery terminals (VLTs), electronic bingo and Keno.

Why Measure Performance?

To meet its goals, ...[an] organization... needs a mechanism to assess progress and help correct course from time to time. That tool is performance measurement...

—Results Oriented Government: A Guide to Strategic Planning and Performance Measurement in the Public Sector (Alberta Finance, September 28, 1998)

Planning and Performance Measurement

Goals, strategies, and targets for each core business are outlined in the AGLC's three-year business plan.

The AGLC's goals provide a sense of direction. They express the aims the commission wishes to achieve over the long term, as it strives to realize its vision for the future.

Performance measures identify what is necessary for success. They track the commission's progress toward achieving its goals.

Performance measures:

- assess and report on progress and achievement
- identify what is working well
- identify areas where performance needs improvement

What We Measure and How We Do It

The AGLC's performance measures relate to efficiency, client and public satisfaction, and compliance. They provide quantifiable information expressed as percentages.

About the Results

As the following table shows, the AGLC met or exceeded its 2004–2005 performance targets for seven of the ten performance measures it carried forward from the previous year. Previous results were met or exceeded for four of these seven measures. For the remaining three measures, performance was only marginally below the previous year's standards. The differences ranged from 0.8% to 1.0% and were not statistically significant. The continued high results reflect the AGLC's ongoing commitment to efficiency, excellence in customer service and playing by the rules.

The AGLC included two new performance measures in its business plan for 2004–2007. Baseline targets for both measures were established in 2004–2005.

The AGLC will continue to develop and implement sound policies and effective procedures to maintain its record of performance excellence as it strives to balance choice and responsibility in the gaming and liquor industries—and to serve the best interests of the people of Alberta.

Results at a Glance

Core Business 1: License and regulate liquor activities.

Goal 1: Liquor licensing activities are effective and efficient.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
1. Percentage of liquor licences and registrations completed within established time frames	98%	99.5%	98%	99.4%
2. Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.	95%	95.0%	95%	94.0%

Goal 2: Liquor activities are conducted in accordance with legislation, regulation and policy.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
3. Liquor licensees comply with legislation, regulations and policy.	95%	93.5%	90%	91.7%

Core Business 2: License and regulate charitable gaming activities.

Goal 3: Charitable gaming licensing activities are effective and efficient.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
4. Percentage of charitable gaming licences and registrations completed within established time frames.	98%	98.9%	98%	98.6%
5. Percentage of gaming industry clients who are satisfied with the level of service provided by the AGLC.	95%	96.0%	95%	97.0%

Goal 4: Charitable gaming activities are conducted in accordance with legislation, regulation and policy.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
6. Charitable gaming activities are conducted in accordance with legislation, regulation and policy.	95%	99.4%	95%	99.2%
7. Percentage of charitable gaming financial reports produced within established time frames.	Establish baseline	50.0%	Not measured	

Core Business 3: Conduct and manage provincial gaming activities.

Goal 5: The availability and delivery of gaming products and activities are balanced with consumer demand, social responsibility and economic benefit to Albertans.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
8. Percentage of Albertans satisfied with the availability of gaming products and activities.	Establish baseline	72.0%	Not measured	

Goal 6: Gaming operations are effective and efficient.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
9. Retailer satisfaction with AGLC services related to VLTs, slot machines and lottery tickets.	95%	97.0%	92%	98.0%

Goal 7: All provincial gaming activities are conducted in accordance with legislation and policy.

Performance Measure	2004-2005		2003-2004	
	Target	Result	Target	Result
10. Percentage of gaming integrity issues resolved within established time frames.	90%	95.4%	90%	96.2%

Five-Year Financial Summary


In 2004-2005 the Alberta Gaming and Liquor Commission (AGLC) had net income of \$1.8 billion.

(in millions of dollars)	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Gross Sales	21,966	19,817	18,328	16,963	14,913
Gross Profit					
Liquor	570	559	535	492	468
VLTs	635	577	594	617	575
Slot machines	549	479	405	322	252
Electronic bingo	5	3	-	-	-
Tickets	183	172	175	166	161
Other	13	13	14	15	13
Operating Expenses	(129)	(121)	(99)	(83)	(70)
Net Income	1,826	1,682	1,624	1,529	1,399

The AGLC administers charitable gaming in the province. Except for licensing and registration fees, which are retained by the commission to cover its operating costs, net proceeds (revenue less expenses) go directly to charities that sponsor gaming activities and events.

(in millions of dollars)	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Bingos	41	44	46	50	51
Casinos	147	133	122	114	99
Raffles	42	39	30	26	25
Pull ticket sales	8	10	8	10	8
	238	226	206	200	183

Liquor Operations



Albertans have been trailblazers from the days of the first homesteaders to the Famous Five and on to modern times. So it's no surprise that, in 1993, Alberta became the first Canadian province to privatize the warehousing, distribution and retailing of liquor.

Alberta's model of public regulation combined with private sector delivery of liquor-related services remains unique in Canada. Although the government retains control and responsibility for the liquor industry, the bold new trail of privatization has created more jobs, more retail outlets, more competitive prices and more choices for Albertans. At the same time, liquor sales continue to contribute significant sums to the provincial general revenue fund—and to fund programs and services for the people of the province.

Alberta's Liquor Industry

The Alberta Gaming and Liquor Commission (AGLC) licenses and regulates the province's liquor industry. It establishes the rules and defines the range of public establishments in which liquor can be sold or consumed. It registers liquor suppliers and issues liquor licences. In consultation with liquor manufacturers, retailers, agents and ordinary Albertans, it develops policy with regard to liquor warehousing, distribution and sales. It authorizes the warehousing and distribution of liquor through agreements with private operators. It sets the provincial mark-up on liquor, collects revenues and redistributes them to the appropriate organizations. It inspects liquor operations to ensure compliance with law and policy.

The private sector handles all warehousing, distributing and retailing of liquor in Alberta. In fulfilling these functions, private sector companies must comply with provincial legislative requirements and their operations must be registered, licensed or authorized by the AGLC.

In the not-so-golden olden days...


The regulatory authority of the AGLC is a far cry from the iron fist of earlier eras, when the government dictated a minutiae of details with regard to establishments where liquor was served.

- Lounge operators could not be licensed unless the floors of their premises were covered with carpets that had a wool content of at least 80%.
- Dart boards weren't allowed in bars, nor were radios or TVs.
- Mixed drinks made their first appearance in Alberta bars in 1958.
- For forty years, from 1927 to 1967, women could only drink in the "Ladies and Escorts Only" sections of bars—and only if they had an escort!



A look back...

- The first "made in Alberta" liquor law dates to 1906—just a year after the province's birth. Until Alberta "went dry" in 1916, private sector wholesalers and retailers were licensed to sell liquor under Alberta's Liquor Licence Ordinance.
 - The online *Canadian Encyclopedia* notes that, from 1916 to 1924, the sale of liquor was prohibited except for "medical, scientific or sacramental purposes." Although drunkenness declined, there was a proliferation of illicit home brewing and bootlegging. "One way to drink was to be 'ill,' for doctors could give prescriptions to be filled at drugstores. Scandalous abuse of this system resulted, with veritable epidemics and long line-ups occurring during the Christmas holiday season."
 - Prohibition ended as a result of a 1924 plebiscite signed by 51,000 Albertans "who wanted the Alberta Government to allow the legal sale of liquor in the province."
 - The concept of government-controlled sale and control of liquor was introduced in Alberta in 1924, with the launch of the Alberta Liquor Control Board.
-



A look to the past...

In 1924, the Palliser Hotel in Calgary became the first hotel to get a post-Prohibition liquor licence.

Edmonton's Macdonald Hotel got the province's second liquor licence in 1925.

In those days, a quart of scotch could be had for \$5.25.

The Pricing Structure

Warehouses receive liquor products directly from manufacturers or from suppliers. When a warehouse receives a shipment, the suppliers (or their agents) set a price that reflects the cost of the product. The supplier's price includes the actual cost of the product (that is, the manufacturer's cost) plus the cost of insurance, marketing and promotion, transportation to the warehouse, warehousing charges and a profit margin.

The AGLC calculates a **wholesale price** that factors in the supplier's price, federal customs and excise taxes and duties, a recycling fee and the provincial mark-up. Mark-up rates depend on product type. They are assigned according to an approved rate schedule that is established by policy and reviewed regularly.

Liquor Mark-up Rates in Alberta as of March 31, 2005

Liquor Product Category	\$ Per Litre
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Wine (greater than 16% alcohol content)	6.10
Wine (less than or equal to 16% alcohol content)	3.45
Refreshment Beverage (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverage (less than or equal to 8% alcohol content)	1.35
Beer (greater than 200,000 hectolitres*)	0.98
Beer (greater than 200,000 hectolitres and less than or equal to 400,000 hectolitres**)	
• On sales in Alberta up to and including the first 200,000 hectolitres	0.40
• On sales in Alberta for the next 200,000 hectolitres up to and including 400,000 hectolitres	0.98
Beer (greater than 10,000 hectolitres and less than or equal to 200,000 hectolitres*)	0.40
Beer (up to 10,000 hectolitres*)	0.20

* Based on annual worldwide production, which includes the volume of all liquor and non-liquor products manufactured where the beer is produced, and all contracted or leased volumes.

** Only those beer manufacturers and suppliers that currently, or subsequently to, qualify for the mark up rate of \$0.40 per litre will qualify for the transition mark up rate.

Sales and Revenues

On March 31, 2005, there were 12,537 liquor products—7% more than the previous year—available to Alberta's 1,086 liquor stores and other liquor licensees. In 2004-2005, Albertans purchased nearly 3 million hectolitres of liquor. The retail value of these liquor sales totalled \$1.55 billion. \$980 million was distributed to suppliers and other organizations. The AGLC's liquor-related operating and regulatory costs were \$16 million, leaving \$554 million which, along with almost \$13 million, collected for licenses, permits, levies, fines and other charges provided almost \$567 million to the provincial General Revenue Fund.

Licences in Effect at Year-End (March 31) and Sales

(in thousands of dollars)							2004-2005		2003-2004	
Licence Class	Licences in Effect	Spirits	Wine	Coolers & Cider	Beer	Total Sales	Licences in Effect	Total Sales		
A (hotels, bars and lounges)	5,201	\$ 64,390	\$ 21,727	\$ 8,568	\$ 204,432	\$ 299,117	5,189	\$ 309,993		
B (facilities where people pay an entrance fee or buy a ticket)	498	1,031	341	223	5,707	7,302	508	8,005		
C (private clubs)	779	805	1,276	149	6,750	8,980	774	9,867		
D (retail outlets that sell liquor for off- premises consumption)	1,713	414,686	237,000	49,622	528,149	1,229,457	1,665	1,157,978		
E (brew pubs and liquor manufacturers)	17	—	—	—	—	—	15	1		
Other (duty-free stores, diplomats, liquor agencies, etc.)	—	3,536	1,073	123	613	5,345	—	4,523		
	8,208	\$ 484,448	\$ 261,417	\$ 58,685	\$ 745,651	\$ 1,550,201	8,151	\$ 1,490,367		

Highlights

Cottage Wineries

The amendments to allow cottage wine-making resulted from consultations with Alberta Agriculture, Food and Rural Development, Alberta Economic Development and Alberta fruit growers.

Albertans' entrepreneurial spirit is evident in every sector and every corner of the province—from sprawling cities to country cottage retreats.

In February 2005, amendments to the Gaming and Liquor Regulation allowed Alberta fruit growers to manufacture, store and sell wine on their farms. This new cottage wine industry is expected to boost rural tourism, encourage farm diversification and stimulate the economic growth Alberta's rural communities need to thrive.

Responsible Recycling: It's Good Business

Recycling reduces waste and minimizes the footprint we leave on our environment. Alberta's return and recycling system for beverage containers is coordinated by the Beverage Container Management Board and administered through two non-profit agencies. The Alberta Beverage Container Recycling Corporation collects and recycles empties from over 200 bottle return depots throughout Alberta. The Alberta Beer Container Corporation collects and processes beer cans and refillable beer bottles.

The AGLC participates in the province-wide collection system that deals with the recycling of beverage containers.

Liquor and beverage manufacturers whose products are sold in Alberta pay to operate the province's container return and recycling systems. Container recycling costs are included in the wholesale price of liquor, which is collected by authorized agents on behalf of the AGLC. The AGLC remits the costs it collects to the appropriate recycling authority.

The system works. In 2004, about 90% of the empty cans and bottles from liquor sold in Alberta were returned for recycling.



Fieldstone Fruit Wines

Strathmore's Bumbleberry Orchards holds the honour of being Alberta's first approved cottage wine facility. The orchards' saskatoons, raspberries, strawberries and wild black cherries will be used to produce Fieldstone Fruit Wines.

Social Responsibility

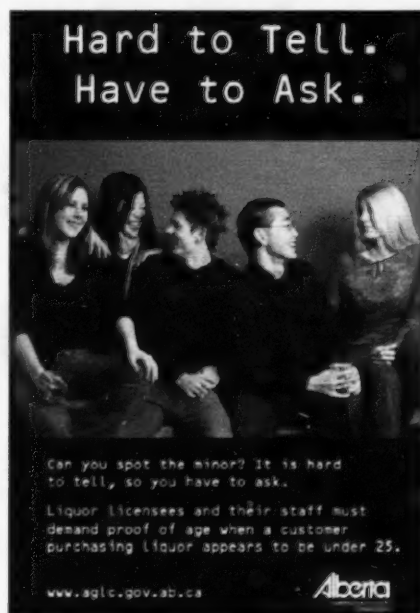
Minors Prohibited

The AGLC is not just a rule maker, nor is it just "the enforcer." Rules are made for a reason. And serving alcohol to minors is not responsible.

The AGLC works hard to keep liquor out of the hands of minors. The "Under 25" policy launched in 1994 makes it mandatory for all liquor-selling establishments (including liquor stores, bars, lounges and restaurants) to request proof of age when a customer appears to be under the age of 25.

Although the policy was clear, an audit conducted in 2002 indicated that the compliance rate was a startling 23%.

To address this issue, the AGLC and the liquor industry launched a province-wide initiative including a public campaign—"Hard to Tell. Have to Ask"—to explain the Under 25 policy and how it worked. The campaign provided information about acceptable forms of proof of age and the consequences if proof was not requested. This year more than 83% of establishments were found to be abiding by the policy—a substantial improvement from 2002.



The Under 25 initiative received a gold 2005 Premier's Award of Excellence.

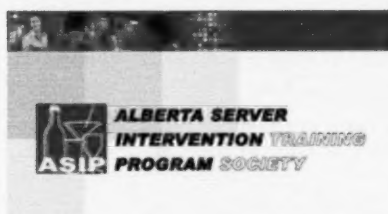
#TAXI

Drunk driving took many lives in Alberta last year. Programs like #TAXI save lives. They make it easy for people to make the right choice and not drink and drive.

In November 2004, the AGLC teamed up with the Canadian Association of Liquor Jurisdictions and the province's Mothers Against Drunk Driving group to sponsor the popular #TAXI program, which makes it fast and easy for patrons to get home safely. By dialing #TAXI (#8294) on any cell phone, callers are instantly connected to a local cab company that can take them home.

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Training for the Times: Alberta's Server Intervention Program



Want to know the facts about your responsibilities?

Ask about the **Alberta Server Intervention Program (ASIP)**, the provincially-recognized program for responsible alcohol sales and service.

Program Delivery Options

SELF-DIRECTED

Online
Web-based interactive training
Manual
Paper-based Manual and Video

FACILITATED

In-house
Training within your own organization
Seminar
Training provided by ASIP-approved trainers across Alberta
Classroom
Sessions offered at educational institutions

For more information visit
www.asip.ca
or contact us at :

401 Centre 104, 5241 Calgary Trail
Edmonton, Alberta T6H 5G8
Phone: (780) 436-6335
Toll-Free: 1-877-436-6336
Fax: (780) 436-5404
Email: info@asip.ca

**Training for
Responsible Alcohol
Sales and Service**

Responsible behaviour doesn't just happen. People need knowledge and training to help them do the right thing.

The Alberta Server Intervention Training Program Society is a partnership between the Alberta Liquor Industry Roundtable (ALIRT), the Alberta Hotel and Lodging Association (AHLA), the Alberta Liquor Store Association (ALSA) and the Alberta Restaurant and Foodservices Association (ARFA).

Launched in November 2004, the Alberta Server Intervention Program (ASIP) is a mandatory, province-wide certification program for liquor industry staff who sell or serve alcohol in liquor stores, bars or restaurants. Its goal is to ensure licensees and staff serve liquor in a responsible manner.

ASIP training is mandatory for all staff who sell or serve alcohol to the public, but will be implemented in phases over the next five years. Approximately 75,000 liquor industry employees are expected to complete the training by January 2010.

ASIP training is available in a variety of formats— as in-house staff training (through workshops and manuals), as a self-study print manual and video, or as online seminars. All ASIP participants must pass a final exam and renew their training every five years.

The ASIP program was developed by the Alberta Server Intervention Training Program Society in cooperation with AADAC and the Alberta Gaming and Liquor Commission. The AGLC has committed \$1 million over three years to support the program. The Alberta Liquor Industry Roundtable has committed \$150,000 over the same period.

Everyone will benefit from this new comprehensive program. It is hoped that it will also be a positive tool in helping to curb the problem of underage drinking, overconsumption, and reduce violence and impaired driving.

—Julian Kozniak, Chair

Alberta Server Intervention Training Program Society

(as quoted in a news release on November 24, 2004)

Performance Measures and Results

Goal 1 Liquor licensing activities are effective and efficient.

Performance Measure 1: Percentage of liquor licences and registrations completed within established time frames.

Individuals or companies must be licensed or registered by the AGLC if they manufacture, import, buy, sell, store or serve liquor. Liquor licences are issued throughout the year as applications are received and approved. As a result, the number of licences in effect varies from month to month. At year end—on March 31, 2005—8,208 licences were in effect.

Year	Target	Result
2004-2005	98%	99.5%
2003-2004	98%	99.4%

The time frame for processing **liquor licences and registrations** is measured in working days calculated from the date a complete application is received and date-stamped by the commission to the date the required document is issued. Different types of applications require different levels of approval. As a result, different target response times apply. The AGLC's performance with regard to application processing is expressed as the percentage of applications processed within established time frames.

In 2004-2005, the AGLC issued 2,346 new liquor licences and registrations. Of these, response time targets were met for 99.5% of applicants. This is even better than the excellent results achieved in 2003-2004. It's an accomplishment that is particularly impressive given the fact that the number of licensees and registrants increased by almost 9%.

Liquor licences and registrations.

Category	Target Response Time	Total Processed		Processed within Target Time Frame	
		2004-2005	2003-2004	2004-2005	2003-2004
New Licences	21 working days	1,262	1,335	100%	99%
Special Event Licences	14 working days	1,049	790	99%	100%
Liquor Agency Registrations	7 working days	35	34	100%	100%
Totals		2,346	2,159	99.5%	99.4%

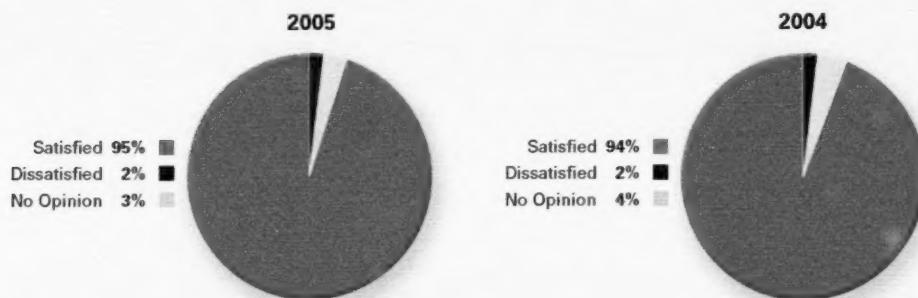
Performance Measure 2: Percentage of liquor industry clients who are satisfied with the level of service provided by the AGLC.

Client satisfaction was measured through an independently administered telephone survey of a randomly selected representative sample that included 362 of 6,379 liquor licensees and 157 of 265 registered liquor agencies. * The results were weighted to reflect the relative size of these two subgroups within the overall population of liquor industry clients. There is a 95% certainty that the results are accurate within $\pm 4.9\%$.

Year	Target	Result
2004-2005	95%	95%
2003-2004	95%	94%

Respondents were asked to rate their satisfaction with AGLC services received in the previous 12 months. Service was rated in four categories: response time, employee knowledge, employee courtesy and overall satisfaction.

An overwhelming 95% ** of survey respondents said that, overall, they were satisfied with the services provided by the Alberta Gaming and Liquor Commission. This represents a slight increase from the previous year. Only 2% of clients were dissatisfied.



* The totals in each category reflect the situation in January 2005, when the survey was conducted. As a result, they differ from the year-end and average numbers cited elsewhere in this report.

** This figure includes clients who were "very satisfied," "satisfied" or "somewhat satisfied" with the commission's services.

Goal 2

Liquor activities are conducted in accordance with legislation, regulation and policy.

Performance Measure 3: Liquor licensees comply with legislation, regulations and policy.

AGLC staff conducted 25,198 liquor inspections in 2004–2005, over 6% more than the previous year.* Violations were identified and documented in just over 2% of cases, resulting in 571 incident reports, 44 board hearings and 435 penalties for noncompliance.

Year	Target	Result
2004-2005	95%	93.5%
2003-2004	90%	91.7%

This measure is calculated by dividing the average number of licensees who have not been issued a penalty by the average number of licensees during the period. The average number of licensees is equal to the number of licensees on the first day of the fiscal year plus the number of licensees on the last day of the year, divided by two. The average number of licensees is utilized in the calculation because the number of licensees fluctuates throughout the year and an averaging of the numbers is the best possible proxy. The vast majority of licensees—93.5%—“played by the rules.” Although this did not quite meet the commission’s 95% target for compliance, it is still an improvement over the previous year’s result of 91.7%.

The incident reports filed about non-compliant liquor establishments typically concern the following areas:

- failing to request proof of age from patrons who appear to be under 25
- selling liquor to minors or allowing minors in age-restricted facilities
- serving liquor to intoxicated persons
- serving liquor after hours
- failing to maintain an appropriate liquor supplier–licensee business relationship
- selling illegal liquor

Liquor industry compliance.

	2004–2005	2003–2004
Average Number of Licensees	6,681	6,569
Number of Licensees Who Received Penalties	435	546
	(6.5% of all licensees)	(8.3% of all licensees)
Compliance Rate	93.5%	91.7%

* The number of inspections is higher than the number of licensees because some establishments were inspected more than once over the course of the year.

Charitable Gaming



Operations

The Alberta Gaming and Liquor Commission (AGLC) licenses and regulates charitable gaming, which includes bingos, casino events, raffles and pull ticket sales operated by licensed charitable and religious organizations. The commission registers gaming workers, inspects licensed gaming establishments, audits financial records and investigates allegations of criminal activity. It supplies and manages the electronic gaming equipment used at charitable casino and bingo gaming events and collects the appropriate licensing and registration fees on behalf of the province.

Licensed private operators provide casino management services and facilities for the charitable gaming sector. Charitable organizations provide the people power to run gaming events at these facilities, and use the net proceeds to fund community projects.

The Games People Play

Bingo and Electronic Bingo

DIGI was introduced in 2003-2004 as a way of helping the bingo industry compete with other gaming activities

Bingo has come a long way from using dried beans to cover numbered cardboard squares. Modern-day bingo takes many shapes and forms. Although the more traditional forms are played with paper cards and daubers, there are numerous ways to win—from filling the four corners of a card to blackout games, “odds and evens,” special bonanzas and satellite bingo that connects players at halls across the province in a single game.

For a different kind of bingo excitement, players can try their hand at DIGI—an electronic bingo game played with hand-held devices that let players play multiple cards simultaneously. When a bingo player inputs the number called, the DIGI device electronically marks all the cards. DIGI is available in 27 of the province's 52 bingo association halls.

Raffles

Raffles are a type of lottery in which prizes are awarded on the basis of a random draw of tickets purchased by consumers. Only licensed charitable or religious organizations can conduct raffles.

Pull Tickets

Pull tickets are instant-win tickets. They feature sealed windows or pull tabs which open to reveal symbols, letters or numbers that correspond to a specific prize. Pull tickets are often sold by bingo associations in conjunction with bingos. Under certain conditions, charitable organizations may also sell pull tickets at sports, arts or cultural festivals or at special events.

Pull ticket sales are an important part of the fundraising efforts of Alberta's Royal Canadian Legion branches.

Casino Table Games

Casinos offer patrons slot machines as well as a variety of table games such as blackjack, baccarat, roulette and craps. Many casinos also feature poker rooms that operate 24 hours a day.

Sales and Proceeds

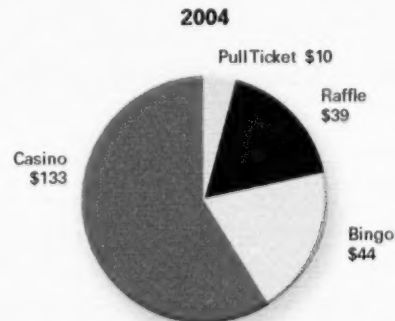
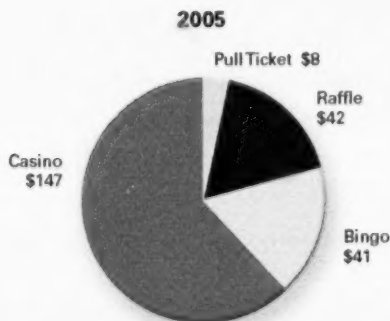
Licensed charities receive the proceeds from casino table games less a service fee paid to the facility operator. The Service fee is calculated as the lower of the Casino Facility fixed fee or a set percentage of the table proceeds which ranges from 50% to 75% (Edmonton and Calgary 50%, St. Albert 65%, casinos outside Edmonton and Calgary with 300-400 slot machines 65% and casinos outside Edmonton and Calgary with up to 299 slot machines 75%).

Except for operating expenses, charities keep all the proceeds they earn from bingos, raffles and pull ticket sales. Bingo associations that serve as keno retailers receive a standard commission of 5% of gross sales plus a 2% commission on the value of prizes. DIGI bingo retailers receive 15% of net proceeds.

As the table below shows, charities earned \$238 million from charitable gaming activities in 2004-05.

A summary of charitable gaming proceeds.

2004-2005							2003-2004
Licences (for events in 2004-2005)	Total Gross (\$000)	Prizes and Winnings (\$000)	Expenses (\$000)	Electronic Proceeds (\$000)	Keno Proceeds (\$000)	Total Proceeds to Charity (\$000)	Total Proceeds to Charity (\$000)
Bingos	2,201	257,377	163,553	55,999	2,390	422	40,637
Casinos	2,893	662,767	529,938	92,851	107,164		147,142
Pull Tickets	743	42,867	31,714	2,868			8,285
Raffle	321	113,567	44,879	26,803			41,885
	6,158	1,076,578	770,084	178,521	109,554	422	237,949



Highlights

GAIN: Gaming Information for Charitable Groups



Awarded a Bronze Premier's Award of Excellence

The Charitable Gaming Information Program (GAIN) provides Alberta's charities and volunteers with a wealth of information about the province's charitable gaming model. Through free training sessions delivered by commission staff or on their own—working through the comprehensive, free and easy to follow GAIN resource manual—program participants discover what they need to know before, during and after holding a licensed gaming event. They learn about the relevant legislation, eligibility requirements, the licence application process, the rules about using gaming proceeds and the requirements for financial reporting.

The GAIN program has been well received by charitable groups across the province. In 2004–2005, 178 GAIN sessions were provided in 101 Alberta communities. Nearly 5,000 participants from more than 2,770 charitable groups attended the sessions. Almost 10,000 volunteers have attended GAIN sessions since the program was launched in 2003–2004.

In 2004–2005, the AGLC staff responsible for the GAIN program received a bronze Premier's Award of Excellence.

GAIN session schedule and registration can be accessed at www.aglc.gov.ab.ca/gaming/

Bingo with a Twist: A Charity–Corporation Joint Venture

In 2004–2005, the AGLC approved the province's first private bingo facility to operate under the province's charitable gaming model. The proposal for a private facility was put forward by the Swan City Bingo Association and the Grande Prairie Bingo Association.

The new charitable–corporate operating model is expected to

- reduce the need for bingo volunteers
- increase long-term revenues for charities
- provide bingo volunteers and patrons with a nice, new facility

CasinoTrack

The CasinoTrack system combines handheld personal computers (used by casino staff and volunteers) with a specialized database system that automates the collection of casino table game data. The system simplifies the reporting requirements charitable organizations need to follow. It also improves the accuracy of reports and provides the commission with real-time monitoring and information about cash flows.

In 2004–2005, CasinoTrack was installed in casino facilities in Lethbridge, Medicine Hat, Fort McMurray and Grande Prairie. All 16 of Alberta's casinos are now equipped with this technology.

Social Responsibility

Taking Control: The Voluntary Self-Exclusion Program

The Voluntary Self-Exclusion Program is designed for Albertans who feel that participating in gaming activities is not in their best interest and who need some help to stand by their decision. By submitting an application to the AGLC, these individuals can voluntarily exclude themselves from all Alberta casinos and racing entertainment centres for a period of their choosing. (Self-exclusion periods can range from six months to three years.)

Once they are registered with the program, participants are barred from casinos and racing entertainment centres. If they ignore this restriction, they can be charged with re-entering a licensed premises when prohibited from doing so. In 2004-2005, 18 program participants were charged. Nearly 1,600 participants are active in the program.

Deal Us In

Deal Us In is a training program for gaming workers who staff Alberta's casinos and racing entertainment centres. The program has two phases:

- responsible gaming awareness training for front-line staff
- intervention and communications training for management and security staff

In 2004-2005, AGLC staff provided 70 sessions of Deal Us In training to 1,300 staff in 16 casinos and three RECs.

Nearly 3,000 Albertans have signed on to the Voluntary Self-Exclusion program since it was launched in 2001. The program is a joint effort by the AGLC, the Alberta Alcohol and Drug Abuse Commission and the gaming industry. It is administered by the AGLC and enforced by casino and racing entertainment centre security staff.

Performance Measures and Results

Goal 3 Charitable gaming licensing activities are effective and efficient.

Performance Measure 4: Percentage of charitable gaming licences and registrations completed within established time frames.

Under the Gaming and Liquor Act, charitable and religious groups can apply for licences to hold casino events, bingos, raffles and pull ticket sales. In 2004–2005, the AGLC issued 4,872 licences for charitable gaming activities.

All gaming workers who are paid to assist licensees in operating gaming facilities or conducting gaming activities must be registered by the AGLC. In 2004–2005, 6,902 gaming workers were registered with the AGLC; 2,159 new registrations were issued.

The time frame for processing **gaming licences and registrations** is measured in working days calculated from the date a complete application is received and date-stamped by the commission to the date the required document is issued. Different types of applications require different levels of approval. As a result, different target response times apply. The commission's performance with regard to application processing is expressed as the percentage of applications processed within established time frames.

Year	Target	Result
2004-2005	98%	98.9%
2003-2004	98%	98.6%

Of the 9,918 charitable gaming licences and registrations processed in 2004–2005, response time targets were met for 98.9% of applicants—as shown in the table above. This is a slight improvement over the previous year—a noteworthy achievement, given the 3.7% increase in the total numbers processed: 9,918 charitable gaming event licenses and registrations were processed, compared with 9,562 in 2003–2004.

The AGLC's service levels for some categories show a slight decline over last year. This was because the numbers of licences processed increased, while the commission's licensing staff complement remained stable. Even for pull ticket licences, however—which had the lowest rate—service response times met targets almost 90% of the time, in spite of a 19.8% increase in the numbers of pull ticket licences processed.

Charitable gaming licences and registrations.

Category	Target Response Time	Total Processed		Processed within Target Time Frame	
		2004-2005	2003-2004	2004-2005	2003-2004
Bingo Licences	12 weeks	1,371	1,281	99.9%	99.3%
Casino Licences	12 weeks	2,893	2,962	97.5%	96.4%
Pull Ticket Licences	4 weeks	314	262	89.8%	95.0%
Raffle Licences	8 weeks	294	320	99.7%	99.4%
Licence Subtotal		4,872	4,825		
Gaming Worker Registrations	6 weeks	5,046	4,737	99.9%	100.0%
Totals		9,918	9,562	98.9%	98.6%

Performance Measure 5: Percentage of gaming industry clients who are satisfied with the level of service provided by the AGLC.

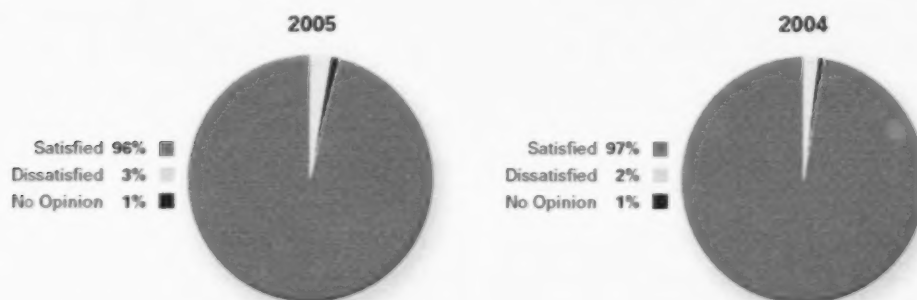
Client satisfaction was measured by an independently administered survey of a randomly selected representative sample of charitable gaming licensees. The sample included 288 of 1,155 bingo licensees, 338 of 2,778 casino licensees, 166 of 293 pull ticket licensees and 149 of 243 raffle licensees.* The survey method ensured that charitable groups holding more than one type of gaming licence were surveyed only once. The results were weighted to reflect the relative size of each subgroup within the overall population of charitable gaming licensees. There is a 95% certainty that the results are accurate within $\pm 3.9\%$.

Year	Target	Result
2004-2005	95%	96.0%
2003-2004	95%	97.0%

* The totals in each category reflect the situation in January 2005, when the survey was conducted. As a result, they differ from the year-end and average numbers cited elsewhere in this report.

Respondents were asked to rate their satisfaction with AGLC services received in the previous 12 months. Service was rated in four categories: response time, employee knowledge, employee courtesy and overall satisfaction.

Overall, 96%* of survey respondents said they were satisfied with the service they received from the AGLC. This is a slight decrease from the previous year, but the difference is not statistically significant. In addition, it is higher than the 95% target set by the commission. Only 3% of clients were dissatisfied with the commission's services.



Goal 4

Charitable gaming activities are conducted in accordance with legislation, regulation and policy.

Performance Measure 6: Charitable gaming activities are conducted in accordance with legislation, regulation and policy.

Compliance of charitable gaming activities is measured by the number of incident reports generated as a result of AGLC inspections of licensed gaming facilities and events. In previous years, compliance was measured using the results of audits as well as inspections. Since audits are often conducted in response to complaints, non-compliance is found in a high percentage of cases. Inspections, on the other hand, are a routine part of the commission's operations. As a result, the rates of non-compliance they uncover are a more accurate indication of overall compliance than rates calculated from audit-based measures.

Charitable gaming inspections and site visits totaled 5,304 in 2004-2005. Thirty of the incident reports filed resulted in penalties. This represents less than 1% of the total number of inspections. In nearly all cases—99.4%—inspectors found compliance with legislation and policy. This nearly perfect record—continued from the previous year—is even higher than the commission's 95% target.

Year	Target	Result
2004-2005	95%**	99.4%
2003-2004	95%**	99.2%***

* This figure includes clients who were "very satisfied," "satisfied" or "somewhat satisfied" with the commission's services.

** The 2004-2005 and 2003-2004 targets are not comparable to the current result due to a change in methodology.

*** Results for 2003-2004 have been restated with new methodology.

Charitable gaming compliance.

	2004-2005	2003-2004
Inspections Conducted	5,304 *	4,652
Incident Reports Resulting in Penalties	30 *	39
	(0.6% of all inspections)	(0.8% of all inspections)
Compliance Rate	99.4%	99.2%

Performance Measure 7: Percentage of charitable gaming financial reports produced within established time frames.

This is a new performance measure introduced in 2004-2005.

Only licensed charities and religious groups are eligible for gaming event licences, and only if their gaming proceeds are used for the good of the community at large. Strict rules and financial reporting procedures apply to the use of charitable gaming funds. Charities that have spent gaming proceeds for purposes that have not been approved are required to return these amounts to their gaming accounts.

Charitable gaming financial reports are prepared by the AGLC and provided to the charitable and religious organizations who have conducted charitable gaming events for review and verification. The time frame for preparing **charitable gaming financial reports** is measured in working days calculated from the start date entered into the commission's financial gaming review system to the date the report is mailed to the client. The system tracks charitable gaming financial reports and automatically generates a target response time based on the type of report required: different kinds of reports take different amounts of time. The system also tracks expected and actual report completion dates.

Year	Target	Result
2004-2005	Establish Baseline	50.0%
2003-2004	Not measured	Not measured

In 2004-2005, the commission reviewed more than 12,000 financial reports and handled more than 19,300 customer service calls related to charitable gaming events. It identified 932 financial reports with inappropriate expenditures—just under 8% of its total files. As a result, gaming licensees were required to return \$5 million to their gaming accounts.

* Many charities hold more than one type of gaming licence. As a result, the number of inspections does not directly correlate with the number of event licences, nor does it correlate with the number of charities involved.

Financial reports were produced within established time frames 50% of the time. The AGLC's business plan for 2004–2007 targets improvements over this baseline in the coming years. The AGLC has already taken steps to improve its performance in this area, including hiring additional staff to assist with the production of financial reports.

Financial reports for charitable gaming activities, 2004–2005.

Category	Target Response Time	Total Processed		Processed within Target Time Frame	
		2004-2005	2003-2004	2004-2005	2003-2004
Bingo Associations	10 weeks	1,159	Not measured	77%	Not measured
Community Bingos	10 weeks	126		7%	
Casinos	20 weeks	2,093		47%	
Pull Tickets	10 weeks	168		5%	
Raffles	10 weeks	141		16%	
Consolidated Gaming Funds Financial Reports	10 weeks	326		30%	
		4,013		50%	

Provincial Gaming



Operations

The Alberta Gaming and Liquor Commission (AGLC) conducts and manages provincial gaming, which includes ticket lotteries (such as Lotto 6/49 and keno), slot machines, video lottery terminals (VLTs) and electronic bingo. These gaming activities are delivered by private operators and bingo associations under retailer agreements. The AGLC supplies the electronic equipment used for provincial gaming and ensures it is maintained in good working order. It manages retailer agreements with private sector operators who house gaming equipment at their facilities, and deposits the proceeds of provincial gaming activities to the Alberta Lottery Fund.

The Games People Play

Ticket Lotteries

In 2004–2005, Albertans could buy eight different types of lottery tickets. They could also play an electronic ticket lottery game called Keno at 27 of the province's bingo association halls. In Keno, players pick one to 10 numbers from a field of one to 80. Every five minutes, 20 winning numbers are drawn and broadcast to playing locations.

Slot Machines

Slot machines feature a vast variety of games and a vast array of prizes—from cash to cars. The AGLC regularly introduces new games and changes the mix of slot machine games in response to player demand. More than 500 different theme games were available on the province's slot machines in 2004–2005.

There were 7,055 slot machines in the province on March 31, 2005: 6,431 of these slot machines were located in the province's 16 casinos and 624 at its three racing entertainment centres. In addition, there were 1,295 slot machines provided at summer fairs.

Video Lottery Terminals

AGLC policy allows a maximum of 6,000 Video lottery terminals (VLTs) in the province. The AGLC determines the number of VLTs per location on the basis of market demand as measured by net sales per terminal per week. As of March 31, 2005 there were 5,978 VLTs at 1,110 retail locations across the province. The number of VLT locations has been reduced by 13% since 2001.

Sales and Proceeds

In 2004–2005, provincial gaming generated gross profits of \$1.77 billion. More than \$370 million was provided to operators and charities as commissions. The AGLC's gaming-related operating costs were almost \$113 million. Over \$1.2 billion was deposited into the Alberta Lottery Fund.

In 2004–2005, VLTs generated sales of \$9.6 billion. Of this amount, \$8.8 billion was paid out as prizes and \$124 million was paid in commissions and federal payments. The balance—about \$635 million—flowed to the Alberta Lottery Fund.*

Slot machines generated sales of \$10.3 billion in 2004–2005. Of this amount, \$9.6 billion was paid out as prizes, \$116 million was paid as retailer commissions, \$108 million went to charities which held casinos and \$8 million was paid to the federal government. The balance—\$549 million—was deposited into the Alberta Lottery Fund.*

As of March 31, 2005, electronic bingo (DIGI) had generated gross sales of \$21.9 million. Of this amount, \$14.7 million was paid out as prizes and \$1.1 million went to directly to charities. The balance (less operating expenses) was returned to charities through the Alberta Lottery Fund.

In 2004–2005, overall lottery ticket sales generated \$455 million, an increase of 2.8% from the previous year. Almost \$231 million was paid out as prizes and another \$41 million went to commissions and federal payments. The balance—about \$183 million—was deposited into the Alberta Lottery Fund.*

* less the AGLC's gaming-related operating costs

Prizes Galore!

Alberta's slot machine players took home 37 vehicles in 2004–2005. The year's biggest slot machine prize—a cool \$1.3 million—was won at Cash Calgary Casino on September 12, 2004. It wasn't quite as big as the previous record (\$1.4 million won at the Calgary Stampede Casino in March 2004), but pretty close.



Albertans Love Their Lotto 6/49

Since its introduction in 1982, Lotto 6/49 has remained the most popular lottery ticket product, accounting for 34% of total ticket sales in 2004–2005. Alberta lottery ticket players won \$230.8 million over the course of the year. Fourteen lucky winners took home prizes of \$1 million or more. The biggest winner (from Calgary!) won \$9.9 million on a Lotto 6/49 ticket.

Ticket lottery sales in Alberta.

(thousands of dollars)	2004–2005	2003–2004
Ticket Type		
Lotto 6/49	\$ 154,268	\$ 117,160
Instant	110,932	94,557
Super 7	64,964	87,477
Extra	47,502	21,207
Sport Select	32,216	42,189
Western 6/49	25,518	21,128
Pick 3	11,249	10,626
The Plus	6,297	40,611
Keno	1,603	1,740
Breakaway to Win	—	2,819
Special Event	—	2,554
TOTALS	\$ 454,549	\$ 442,068

Lotto 6/49: Changing With the Times

In June 2004, the price of Lotto 6/49 ticket increased from \$1 to \$2 and a new prize category—Extra—was introduced to replace The Plus. The higher ticket price results in higher jackpots, which increase from \$4 million to \$10 million to \$18 million to \$25 million with each successive draw. The new Extra category—in which two out of six numbers plus the bonus (2/6+) constitute a win—means players have more chances to win. Extra is available on Western 6/49, Lotto 6/49 and Super 7 tickets.

It's a Mystery...

Five Alberta casinos each received 12 "Mystery" progressive slot machines which offer three levels of jackpot prizes: \$25–\$50, \$50–\$1,000, and \$1,000–\$50,000. Each set of 12 is electronically linked and each machine in the set contributes a portion of the play to a randomly won common jackpot prize. That means players don't have to win the game they're playing in order to win a jackpot.



VLTs: Responsible Gaming in Responsible Venues

The AGLC continued to implement a responsible gaming program for VLT licensees.

Two of the program's four components are mandatory:

- All staff involved with VLTs must view "Winning Moments: Helping Staff Help Problem Gamblers," a 15-minute video produced by the Alberta Alcohol and Drug Abuse Commission (AADAC). The video provides practical advice about how to recognize individuals at risk, how to help people deal with gambling problems and where to go for help.
- All six of the AGLC's signs related to gaming and problem gambling must be posted on the premises and maintained in good condition.

Two components are voluntary:

- VLT retailers and their senior staff are invited to share examples of how their organization has used the information from the awareness program.
- VLT retailers are encouraged to give out matchbooks, business cards, coasters or other materials that display AADAC's 24-hour, toll-free Help Line number, 1-866-332-2322.

VLT retailers who fulfill both the mandatory and the voluntary components of the program are identified as **responsible gaming venues**. They receive a plaque in recognition of their participation and their names are printed in the local newspaper.

In 2004-2005, more than 300 VLT retailers received plaques in recognition of their voluntary efforts to promote responsible gaming. About 4,000 certificates of completion were awarded to gaming industry staff.

VLT retailers who do not comply with the mandatory requirements may have their retailer agreements terminated and VLT machines removed from their premises.

Performance Measures and Results

Goal 5

The availability and delivery of gaming products and activities are balanced with consumer demand, social responsibility and economic benefit to Albertans.

Performance Measure 8: Percentage of Albertans satisfied with the availability of gaming products and activities.

This is a new performance measure introduced in 2004–2005.

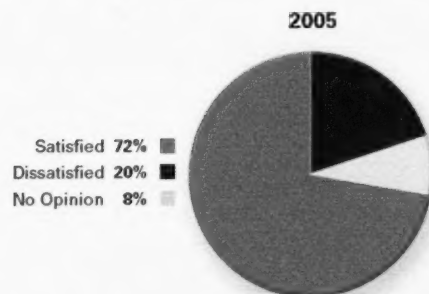
Public satisfaction was measured through an independently administered telephone survey of a representative sample of 1,000 Albertans. The sample was randomly selected from the province's residential phone listings. Statistics Canada data for the 2001 census was used to stratify the sample by region, and by age and gender within each region. This approach ensured that the views of a representative cross-section of Albertans were reflected in the results. There is a 95% certainty that the results are accurate within $\pm 3.2\%$.

Year	Target	Result
2004-2005	Establish Baseline	72%
2003-2004	Not measured	Not measured

Nearly three-quarters of survey respondents (72%) were satisfied* with the availability of gaming products and activities; 20% were dissatisfied.

The results for 2004–2005 establish a baseline for comparing future performance. The commission's business plan for 2004–2007 targets improvements over this baseline in the coming years.

Albertans' satisfaction with the availability of gaming products and activities, 2004–2005.



* This figure includes Albertans who were "very satisfied," "satisfied" or "somewhat satisfied."

Goal 6 Gaming operations are effective and efficient.

Performance Measure 9: Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries.

The services measured in relation to retailer satisfaction include the AGLC's hotline and field repair services for video lottery terminals, lottery ticket terminals, slot machines and electronic gaming equipment used for DIGI (electronic bingo) and keno.

Year	Target	Result
2004-2005	95%	97.0%
2003-2004	92%	98.0%

In 2004-2005, AGLC staff fielded 120,000 calls to the retailers' hotline. The AGLC's technicians made more than 100,000 service calls to casinos, racing entertainment centres, VLT premises and lottery ticket centres across the province. Their work included maintenance of machines and software, and upgrading bill acceptor software to handle new currency.

Retailer satisfaction with these services was measured through an independently administered telephone survey of a representative sample that included* 287 of 1,128 video lottery terminal retailers and 327 of 2,180 lottery ticket retailers. Because of the small numbers of operators in each group, the survey used a census approach to determine the satisfaction levels of 25 of 30 DIGI and keno retailers and 18 of 19 casino and racing entertainment centre operators who have slot machines on their premises. The results were weighted to reflect the relative size of each of the four subgroups within the overall population of provincial gaming retailers. There is a 95% certainty that the results are accurate within $\pm 4.0\%$.

Respondents were asked to rate their satisfaction with AGLC services received in the previous 12 months. Service was rated in four categories: response time, employee knowledge, employee courtesy and overall satisfaction, and for technicians, quality of repairs.

Only 1% of survey respondents were dissatisfied with the overall service they received from the AGLC. The majority—97%—were satisfied. The result exceeds the AGLC's 95% target. Although it is slightly lower than the previous year, the difference is not statistically significant.

* The totals in each category reflect the situation in January 2005, when the survey was conducted. As a result, they differ from the year-end and average numbers cited elsewhere in this report.

Goal 7

All provincial gaming activities are conducted in accordance with legislation and policy.

Performance Measure 10: Percentage of gaming integrity issues resolved within established time frames.

Maintaining the integrity and accountability of gaming in Alberta is essential. The AGLC works with stakeholders to ensure games are operated fairly and according to consistently applied rules and procedures.

Year	Target	Result
2004-2005	90%	95.4%
2003-2004	90%	96.2%

Gaming issues typically involve

- disputes about the operation of gaming equipment
- credit disputes involving players or retailers
- incidences of perceived illegal or unethical behaviour by gaming retailers or players, or by commission staff

AGLC inspectors resolve the majority of gaming integrity issues. Those that cannot be resolved by Inspectors are forwarded to the AGLC Response Team, which is composed of representatives from most divisions of the AGLC. The timely resolution of these matters is essential and the Response Team's goal is to address and resolve these issues through fair and impartial review within 30 days of receipt.

The commission's response team reviewed 217 issues in 2004-2005. Most (95.4%) were resolved within 30 days. This result exceeds the commission's performance target of 90% and continues the excellent results achieved the previous year.

Financial Statements

March 31, 2005



Auditor's Report



To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2005 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed]

FCA
Auditor General

Edmonton, Alberta
May 13, 2005

Alberta Gaming and Liquor Commission

Balance Sheet

As at March 31 (thousands of dollars)	2005	2004
ASSETS		
<i>Current Assets</i>		
Cash (Note 3)	\$ 101,576	\$ 88,350
Accounts receivable	23,505	13,289
Prepaid expenses and inventories (Note 4)	7,953	11,600
	133,034	113,239
Property, Plant and Equipment (Note 5)	165,770	170,398
	\$ 298,804	\$ 283,637
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 82,232	\$ 90,476
Due to the Alberta Lottery Fund (Note 7)	40,512	29,323
	122,744	119,799
Due to General Revenues (Note 8)	172,045	159,354
Provision for Loss on Leased Properties (Note 13)	4,015	4,484
	\$ 298,804	\$ 283,637

The accompanying notes are part of these financial statements.

Approved on Behalf of:

BOARD

MANAGEMENT

[original signed]

[original signed]

Julian J. Nowicki
Chairman of the Board

Norman C. Peterson, CA
Chief Executive Officer

Alberta Gaming and Liquor Commission

Statement of Operations

For the year ended March 31 (thousands of dollars)		Budget		2005 Actual	2004 Actual
	(Note 9)	Provincial Lotteries	Liquor and Other	Total	
REVENUE					
Gaming terminals	\$	\$ 10,351,241	\$ -	\$ 10,351,241	\$ 9,251,816
Video lottery terminals		9,588,386	-	9,588,386	8,617,950
Liquor		-	1,550,201	1,550,201	1,490,367
Ticket lottery		454,549	-	454,549	442,068
Electronic bingo		21,862	-	21,862	14,416
		20,416,038	1,550,201	21,966,239	19,816,617
PRIZES AND COST OF PRODUCT					
Gaming terminals		9,570,545	-	9,570,545	8,568,860
Video lottery terminals		8,829,161	-	8,829,161	7,924,320
Liquor		-	980,086	980,086	931,504
Ticket lottery		230,965	-	230,965	230,379
Electronic bingo		14,678	-	14,678	9,828
		18,645,349	980,086	19,625,435	17,664,891
Gross Profit	2,247,944	1,770,689	570,115	2,340,804	2,151,726
Commissions and Federal					
Payments (Note 10)	(389,974)	(398,240)	-	(398,240)	(362,038)
Other Income (Note 11)	10,506	-	12,929	12,929	12,869
Operating Expenses (Note 12)	(155,867)	(112,757)	(16,353)	(129,110)	(120,755)
Net Operating Results	\$ 1,712,609	\$ 1,259,692	\$ 566,691	\$ 1,826,383	\$ 1,681,802

Alberta Gaming and Liquor Commission

Statement of Cash Flows

For the year ended March 31 (thousands of dollars)	2005	2004
CASH FROM OPERATIONS		
Net operating results for the year	\$ 1,826,383	\$ 1,681,802
Decrease in provision for loss on leased properties	(469)	(383)
Amortization	35,591	32,392
Loss on disposal of property, plant and equipment	27	50
Net change in non-cash working capital balances	(14,813)	40,185
	1,846,719	1,754,046
REMITTANCES TO THE ALBERTA LOTTERY FUND	(1,248,503)	(1,134,408)
REMITTANCES TO GENERAL REVENUES	(554,000)	(543,000)
	44,216	76,638
CASH USED FOR INVESTMENT		
Purchase of property, plant and equipment	(31,050)	(107,732)
Proceeds on disposal of property, plant and equipment	60	25
	(30,990)	(107,707)
INCREASE (DECREASE) IN CASH	13,226	(31,069)
CASH, beginning of year	88,350	119,419
CASH, end of year	\$ 101,576	\$ 88,350

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 1 Authority and Purpose

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code* (Canada), and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized video lottery, gaming terminal operations, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta, has a tax-exempt status for its liquor and regulatory operations.

NOTE 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

Notes to the Financial Statements

March 31, 2005

NOTE 2 Significant Accounting Policies and Reporting Practices (continued)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	10% or 33 1/3%
Video lottery and gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Property, plant and equipment are not amortized until the assets are put into use.

Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Revenue and Expense Recognition

Revenue from video lottery terminals, gaming terminals and electronic bingo is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to video lottery terminals, gaming terminals, and electronic bingo are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date activated for sale by the retailer. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold related to liquor is recognized on the same basis as the related revenues.

Allocation of Operating Expenses

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2005, securities held by the Fund have an average effective market yield of 2.79% per annum (March 31, 2004: 2.11% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 Prepaid Expenses and Inventories

(thousands of dollars)	2005	2004
Prepaid expenses	\$ 2,064	\$ 6,531
Gaming parts	5,130	4,532
Supplies	759	537
	\$ 7,953	\$ 11,600

NOTE 5 Property, Plant and Equipment

(thousands of dollars)	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 4,113	\$ -	\$ 4,113	\$ 4,113
Buildings and leasehold improvements	52,122	40,333	11,789	11,668
Gaming systems and equipment	49,472	38,549	10,923	12,737
Gaming terminals	117,711	57,713	59,998	51,134
Video lottery terminals	81,187	17,842	63,345	78,058
Furniture and equipment	33,154	27,325	5,829	7,593
Retailer fixtures and signage	8,768	7,769	999	809
Computer software	20,336	12,357	7,979	3,197
Vehicles	2,800	2,005	795	1,089
	\$ 369,663	\$ 203,893	\$ 165,770	\$ 170,398

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 6 Defined Benefit Plans

(thousands of dollars)

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$2,017 for the year ended March 31, 2005 (2004 - \$1,710). The Commission's portion of the Western Canada Lottery Corporation pension expense is \$215 for the year ended March 31, 2005 (2004 - \$228).

At December 31, 2004, the Management Employees Pension Plan reported a deficiency of \$268,101 (2003 - deficiency of \$290,014) and the Public Service Pension Plan reported a deficiency of \$450,068 (2003 - deficiency of \$584,213). At December 31, 2004, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$9,404 (2003 - \$9,312). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2005 is \$26 (2004 - \$16).

NOTE 7 Due to the Alberta Lottery Fund

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

(thousands of dollars)	2005	2004
Due to the Alberta Lottery Fund, beginning of year	\$ 29,323	\$ 38,537
Remittable to the Alberta Lottery Fund	1,259,692	1,125,194
Remittances to the Alberta Lottery Fund	(1,248,503)	(1,134,408)
Due to the Alberta Lottery Fund, end of year	\$ 40,512	\$ 29,323

NOTE 8 Due to General Revenues

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(thousands of dollars)	2005	2004
Due to General Revenues, beginning of year	\$ 159,354	\$ 145,746
Net operating results for the year	1,826,383	1,681,802
Remittable to the Alberta Lottery Fund	(1,259,692)	(1,125,194)
Remittances to General Revenues	(554,000)	(543,000)
Due to General Revenues, end of year	\$ 172,045	\$ 159,354

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 9 Budget

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

NOTE 10 Commissions and Federal Payments

(thousands of dollars)	2005	2004
Commissions		
Video lottery terminals	\$ 113,816	\$ 103,976
Gaming terminals:		
- Operators	115,573	102,805
- Charities	107,965	94,554
Ticket lottery	30,604	30,531
Electronic bingo	2,155	1,377
	370,113	333,243
Federal Tax Expenses ^(a)		
Video lottery terminals	10,345	12,402
Gaming terminals	7,905	6,797
Ticket lottery	3,608	3,547
Electronic bingo	75	48
	21,933	22,794
Payment to Federal Government ^(b)	6,194	6,001
	\$ 398,240	\$ 362,038

^(a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery, gaming terminal and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

^(b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 11 Other Income

(thousands of dollars)	2005	2004
Licences and permits	\$ 5,860	\$ 5,862
Miscellaneous	2,718	1,280
Interest revenue	2,337	3,470
Premises rental revenue	753	755
Retailer service fees	561	546
Liquor levies	468	507
Fines and violations	259	499
(Loss) on disposal of property, plant and equipment	(27)	(50)
	\$ 12,929	\$ 12,869

NOTE 12 Operating Expenses

(thousands of dollars)	2005	2004
Salaries and benefits	\$ 37,774	\$ 34,689
Amortization	35,591	32,392
Leased gaming terminals	13,334	12,083
Data communications	8,830	8,251
Media and media production	7,796	7,453
Ticket printing	6,454	6,103
Equipment and vehicles	5,821	6,145
Fees and services	2,521	2,603
Property	2,393	2,473
Travel and training	2,101	2,101
Data processing	1,286	997
Stationery and supplies	1,282	1,454
Freight and product delivery	1,134	1,322
Insurance and bank charges	1,005	996
Retailer relations	876	699
Miscellaneous	676	809
Presentations and publications	154	112
Product expense	85	80
Overhead and other	(3)	(7)
	\$ 129,110	\$ 120,755

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 13 Commitments

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 27 years. Most of these former properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

(thousands of dollars)

Fiscal 2005-06	\$	1,956
2006-07		1,538
2007-08		1,355
2008-09		918
2009-10		919
Balance to expiry		4,142
	\$	10,828

Estimated future revenues to be derived from subleases amount to \$5.8 million at March 31, 2005. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 14 Contingencies

At March 31, 2005 the Commission is a defendant in 11 legal claims (2004 - 12 legal claims). Nine of these claims have specified amounts totalling \$140 million, and the remaining 2 have not specified any amount (2004 - 9 claims with specified amounts totalling \$144 million, and 3 with no specified amount). Included in the total claims are 5 claims in which the Commission has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 15 Salaries and Benefits

(thousands of dollars)					2005	2004
	Base Salary ^(a)	Other Cash Benefits ^(b)	Other Non-cash Benefits ^(c)	Total	Total	Total
Senior Officers						
Chairman ^(d)	\$ 75	\$ 52	\$ 7	\$ 134	\$ -	-
CEO ^(e)	79	25	5	109		106
Board Members	82	-	-	82		92
Executives						
Executive Director, Regulatory	116	19	24	159		188
Executive Director, Gaming Products & Services	116	19	24	159		157
Executive Director, Information Systems	99	17	21	137		134
Executive Director, Finance & Administration	96	14	20	130		126

^(a) Base salary includes regular base pay.

^(b) Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.

^(c) Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.

^(d) The Chairman was appointed December 1, 2004.

^(e) The Deputy Minister for Gaming also serves as the CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business. Full salary and benefits are disclosed in the Department of Gaming financial statements. Previous to December 1, 2004, the CEO also served as Chairman.

Alberta Gaming and Liquor Commission

Notes to the Financial Statements

March 31, 2005

NOTE 16 Joint Venture - Ticket Lottery Operations

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

(thousands of dollars)	2005	2004
Balance Sheet		
Current assets	\$ 24,490	\$ 26,729
Property, Plant and Equipment	10,440	10,303
	\$ 34,930	\$ 37,032
Current liabilities	\$ 18,332	\$ 17,506
Investment in joint venture	16,598	19,526
	\$ 34,930	\$ 37,032
	2005	2004
Statement of Operations		
Gross profit	\$ 183,379	\$ 173,065
Operating expenses	(25,852)	(23,823)
Net operating results	\$ 157,527	\$ 149,242
Statement of Cash Flows		
Cash from operations	\$ 163,024	\$ 152,739
Cash used for investment	\$ 2,278	\$ 1,035

Notes to the Financial Statements

March 31, 2005

NOTE 17 Related Party Transactions

The Commission has the following transactions with Government of Alberta departments for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

(thousands of dollars)				2005	2004
Division	Accommodation Costs ^(a)	Expenses - Incurred by Others ^(a)		Total Expenses	Total Expenses
		Legal Services ^(a)			
Regulatory	\$ -	\$ 55	\$	55	\$ 91
Commission Office	-	26		26	29
Gaming Products and Services	-	21		21	19
Finance and Administration	1	16		17	6
	\$ 1	\$ 118	\$	119	\$ 145

^(a) Costs incurred by Alberta Justice and Alberta Infrastructure and Transportation on behalf of the Alberta Gaming and Liquor Commission.

^(b) Net costs for Accommodation in St. Albert.

^(c) Costs for Legal Services allocated on hours of service provided.

The Commission also had the following transactions with Government of Alberta departments recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

Restructuring and Government Efficiency	\$ 220
Risk Management and Insurance	163
Office of the Chief Internal Auditor	47
Alberta Infrastructure and Transportation	5
	\$ 435

NOTE 18 Comparative Figures

Certain 2004 figures have been reclassified to conform to the 2005 presentation.

**Additional copies of this annual report or the Ministry
of Gaming annual report may be obtained from the**

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